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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission
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IN THE MATTER OF THE APPLICATION OF SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT FOR AN ORDER AUTHORIZING ITS ISSUANCE OF REVENUE BONDS AND REFUNDING REVENUE BONDS.	**DOCKET NO. E-02217A-03-0232** **DECISION NO. 66469** **NOTICE OF SALE OF REVENUE BONDS AND REFUNDING REVENUE BONDS (2015 SERIES A)**
IN THE MATTER OF THE APPLICATION OF SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT FOR AN ORDER AUTHORIZING ITS ISSUANCE OF REVENUE BONDS AND REFUNDING REVENUE BONDS.	**DOCKET NO. E-02217A-08-0159** **DECISION NO. 70611** **NOTICE OF SALE OF REVENUE BONDS AND REFUNDING REVENUE BONDS (2015 SERIES A)**

On June 2, 2015, Salt River Project Agricultural Improvement and Power District (the "District") issued $924,490,000 of its Salt River Project Electric System Revenue Bonds, 2015 Series A (the "2015 Series A Revenue Bonds"). The 2015 Series A Revenue Bonds consist of $624,490,000 in Refunding Revenue Bonds and $300,000,000 in new Revenue Bonds. Authority for $46,315,000 of the 2015 Series A Revenue Bonds was derived from Decision No. 58625 of the Arizona Corporation Commission (the "Commission"), dated May 2, 1994 in Docket No. E-02217A-94-0012, authorizing the District to issue additional Revenue Bonds in an amount not to exceed $2.3 billion, to

refund outstanding Revenue Bonds, as described therein. Docket No. E-02217A-94-0012 has been closed, so compliance filings attributable to that docket are being filed under E-02217A-08-0159. Authority for $1,345,000 of the 2015 Series A Revenue Bonds was derived from Decision No. 64253 of the Commission, dated December 4, 2001 in Docket No. E-02217A-01-0183, authorizing the District to issue additional Revenue Bonds in an amount not to exceed $550,000,000, to refund outstanding Revenue Bonds, as described therein. Docket No. E-02217A-01-0183 has been closed, so compliance filings attributable to that docket are being filed under E-02217A-08-0159. Authority for $576,830,000 of the 2015 Series A Revenue Bonds was derived from Decision No. 66469 of the Commission, dated October 27, 2003 in Docket No. E-02217A-03-0232, authorizing the District to issue additional Revenue Bonds in an amount not to exceed $640,000,000, to refund outstanding Revenue Bonds, as described therein. Authority for $300,000,000 of the new 2015 Series A Revenue Bonds was derived from Decision No. 70611 of the Commission, dated November 19, 2008 in Docket No. E-02217A-08-0159, authorizing the District to issue new Revenue Bonds in an amount not to exceed $1.9 billion, as described therein.

A breakout of the Bonds issued pursuant to Decisions 58625, 64253, 66469 and 70611 is attached as Exhibit 1.

The District has no current plans to issue any additional Revenue Bonds during the 12-month period following the issuance of the 2015 Series A Revenue Bonds. However, its plans could change depending on the needs of the District and the market conditions at any point in time.

Decision Nos. 58625, 64253, 66469 and 70611 require that the District file with the Commission certain documents and information after issuance of any of the Revenue Bonds authorized hereby. In accordance with such orders, the District hereby submits the following documents in connection with its sale of the 2015 Series A Revenue Bonds:

1. Certified copy of the May 15, 2015 resolution of the Board of Directors of the District authorizing the sale of the 2015 Series A Revenue Bonds (Exhibit 2);

2. Certified copy of the May 15, 2015 resolution of the Council of the District ratifying and confirming the sale of the 2015 Series A Revenue Bonds (Exhibit 3);

3. A copy of the Official Statement, dated May 15, 2015, distributed in connection with the marketing and sale of the 2015 Series A Revenue Bonds (Exhibit 4);

4. A copy of the Report of the Independent Financial Advisor, dated June 2, 2015, prepared by The PFM Group, showing that the bonds were issued at competitive market rates (Exhibit 5); and

5. A summary of the refunding results, including net present value savings (Exhibit 6).

These documents include explanations and summaries of the transaction as well as details on the date of issuance, interest rates, maturities, amount of discount or premium, issuance expenses, savings and other pertinent information.

RESPECTFULLY SUBMITTED this 30th day of July 2015.

SALT RIVER PROJECT AGRICULTURAL
IMPROVEMENET AND POWER DISTRICT
W. Gary Hull
Lenin Arthanari
Salt River Project
P. O. Box 52025, PAB207
Phoenix, AZ 85072-2025
Telephone: (602 236-3277
Attorneys for Applicant

By _____
W. Gary Hull, Sr. Director Law Services-Corporate

ORIGINAL and thirteen (13) copies of the foregoing filed this 30th day of July 2015, with:

ARIZONA CORPORATION COMMISSION
Hearing Division – Docket Control
1200 W. Washington Street
Phoenix, Arizona 85007

COPY of the foregoing hand-delivered this 30th day of July 2015, to:

Janice M. Alward, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, AZ 85007

Steven M. Olea, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
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Carmel Hood
Utilities Division, Compliance Section
ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, AZ 85007

By Michele Maser

EXHIBIT 1

ATTRIBUTION OF 2015 SERIES A REVENUE BONDS TO PRIOR DECISIONS OF THE COMMISSION

Commission Decision No.	Revenue Bonds Authorized	Previously Issued Bonds	2015 Series A Bonds	Remaining Authorization
58625	$2,300,000,000[1]	$1,455,378,778	$46,315,000[1]	$798,306,222
64253	$550,000,000[1]	$428,050,000	$1,345,000[1]	$120,605,000
66469	$640,000,000[1]		$576,830,000[1]	$63,170,000
70611	$1,900,000,000[2]	$766,425,290	$300,000,000[2]	$833,574,710

[1]Represents Refunding Revenue Bonds.
[2]Represents new Revenue Bonds that are not Refunding Revenue Bonds.

CERTIFICATE

I, JOHN M FELTY, the duly appointed, qualified, and acting Assistant Corporate Secretary of the Salt River Project Agricultural Improvement and Power District (the District), a special district under Title 48 of the Arizona Revised Statutes, DO HEREBY CERTIFY that attached hereto is true and correct copy of a Resolution adopted by the District Board of Directors at a meeting duly held on May 15th, 2015, at which a quorum was present and voted, and that no change, revision, amendment, or addendum has been made subsequent thereto.

IN WITNESS WHEREOF, I have set my hand and seal of the Salt River Project Agricultural Improvement and Power District, this 22nd day of July 2015.

John M. Felty
Assistant Corporate Secretary

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT
MARICOPA COUNTY
SEAL
ARIZONA

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF $924,490,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2015 SERIES A OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND PROVIDING FOR THE FORM, DETAILS AND TERMS THEREOF

WHEREAS, the members of the Board of Directors (the "Board of Directors") of the Salt River Project Agricultural Improvement and Power District (the "District"), by resolution entitled "Supplemental Resolution Dated September 10, 2001 Authorizing an Amended and Restated Resolution Concerning Revenue Bonds," which became effective January 11, 2003, as amended and supplemented (the "Resolution"), have created and established an issue of Salt River Project Electric System Revenue Bonds (the "Bonds"), which may be authorized from time to time pursuant to Series Resolutions; and

WHEREAS, the District's Financial Consultant, Public Financial Management (hereafter referred to as the "Financial Consultant"), has advised the District that substantial financial benefits will accrue to the District upon the refunding of the Bonds To Be Refunded (as defined in Section 2 hereof); and

WHEREAS, the District, upon the refunding of the Bonds To Be Refunded, will realize a net present value savings of approximately $90,521,475.85 using a discount rate equal to the reoffering yield of the 2015 Series A Bonds (as defined in Section 2 hereof) and adjusted for the present value of certain money sources and uses of funds; and

WHEREAS, Citibank, N.A., the holder of $155,805,000 in aggregate principal amount of Citi-Owned Bonds (as defined in Section 2 hereof) has approached the District and offered to sell its Citi-Owned Bonds to the District pursuant to the terms of a Tender Agreement (the "Tender Agreement"), dated as of May 15, 2015, by and among the District, Citibank, N.A. and U.S. Bank National Association, as bond trustee (the "Trustee"); and

WHEREAS, pursuant to Title 48, Chapter 17, Article 7, of the Arizona Revised Statutes, the District may purchase the Citi-Owned Bonds out of any funds available therefor and/or exchange the Bonds for the Citi-Owned Bonds; and

WHEREAS, the Financial Consultant has advised the District that substantial financial benefits will accrue to the District should it acquire the Citi-Owned Bonds pursuant to the terms of the Tender Agreement; and

WHEREAS, the Arizona Corporation Commission (the "Commission") has approved by its Opinions and Orders described in **Exhibit A** hereto the issuance of $924,490,000 2015 Series A Bonds to refund the Bonds To Be Refunded, to acquire the Citi-Owned Bonds and to finance the costs of acquisition and

construction of various capital improvements and additions to the District's Electric System; and

WHEREAS, the Board of Directors has determined to use the authorization applicable to the Commission's Opinions and Orders described in **Exhibit A** hereto to issue the 2015 Series A Bonds, and the Board of Directors has further determined to use the proceeds of the 2015 Series A Bonds to (i) refund the Bonds To Be Refunded and acquire the Citi-Owned Bonds pursuant to the Tender Agreement, (ii) finance the costs of acquisition and construction of various capital improvements and additions to the District's Electric System and (iii) pay certain costs of issuance of the 2015 Series A Bonds; and

WHEREAS, the Bonds To Be Refunded will not be considered Outstanding as that term is defined in the Resolution; and

WHEREAS, upon the acquisition of the Citi-Owned Bonds by the District, such Citi-Owned Bonds will be cancelled by the Trustee and will not be considered Outstanding as that term is defined in the Resolution; and

WHEREAS, the Board of Directors has been presented with a Purchase Contract, dated May 15, 2015 (the "Purchase Contract"), by and among the District and a group of purchasers represented by and including Goldman, Sachs & Co., Bank of America Merrill Lynch, Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Morgan Stanley & Co. LLC (hereinafter collectively referred to as the "Purchasers") providing for the purchase of $924,490,000 2015 Series A Bonds; and

WHEREAS, the Board of Directors desires the District to sell $924,490,000 2015 Series A Bonds to the Purchasers pursuant to the terms and conditions of the Purchase Contract to provide moneys to carry out the aforesaid purposes of the District; and

WHEREAS, Title 48, Chapter 17, Article 7, of the Arizona Revised Statutes requires that the private sale of Bonds be subject to prior approval by a majority of the members of the Council of the District and that no Bonds be issued unless the Council, by resolution adopted by an affirmative vote of a majority of its members, ratifies and confirms the amount of the Bonds authorized to be issued by the Board of Directors (together the "Council Approval and Ratification Requirement"); and

WHEREAS, the Board of Directors desires to approve the preparation, distribution and execution of a Preliminary Official Statement and an Official Statement for the 2015 Series A Bonds; and

WHEREAS, the Board of Directors desires to authorize the proper officers and employees of the District to take all necessary steps to complete the

issuance, sale and delivery as aforesaid of $924,490,000 2015 Series A Bonds; and

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT AS FOLLOWS:

SECTION 1. Series Resolution. This Series Resolution (hereinafter referred to as "Resolution Authorizing the Issuance and Sale of $924,490,000 2015 Series A Bonds" or as "2015 Series A Resolution") is adopted in accordance with the provisions of the Resolution and pursuant to the authority contained in Title 48, Chapter 17 of the Arizona Revised Statutes, as amended.

SECTION 2. Definitions. This 2015 Series A Resolution and the Resolution are herein collectively referred to as the "Resolutions." All terms which are defined in the Resolution shall have the same meanings, respectively, in this 2015 Series A Resolution, as such terms are given in the Resolution. In this 2015 Series A Resolution:

"Bonds To Be Refunded" shall mean the Refunded 2004 Series A Bonds, the Refunded 2005 Series A Bonds and the Refunded 2006 Series A Bonds, all as described in **Exhibit B-1** hereto.

"Citi-Owned Bonds" shall mean those portions of the Refunded 2005 Series A Bonds and Refunded 2006 Series A Bonds as described in **Exhibit B-2** hereto.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the applicable regulations promulgated thereunder or applicable thereto.

"DTC" shall mean The Depository Trust Company or any successor thereto.

"Escrow Deposit Agreement" shall mean the Letter of Instructions and Escrow Deposit Agreement As To Payment Of Refunded Bonds, attached as **Exhibit C** hereto and authorized by Section 15 hereof, relating to the Bonds To Be Refunded.

"Information Services" shall mean Financial Information, Inc.'s Daily Called Bond Service, 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302; Kenny Information Service's Called Bond Service, 65 Broadway, 16th Floor, New York, New York 10006; Moody's Municipal and Government, 99 Church Street, 8th Floor, New York, New York 10007, attention: Municipal News Report; and Standard & Poor's Called Bond Record, 25 Broadway, New York, New York 10004; or to such other addresses and/or such other national

information services providing information or disseminating notices of redemption of obligations similar to the 2015 Series A Bonds.

"Interest Payment Date" shall mean each December 1 and June 1 of each year so long as 2015 Series A Bonds are Outstanding, commencing December 1, 2015.

"2015 Series A Bonds" shall mean the Bonds authorized by Section 3 hereof.

"Refunded 2004 Series A Bonds" shall mean the Outstanding Electric System Revenue Bonds, 2004 Series A of the District maturing in the years 2016 through 2018 and 2021 through 2024, as described in **Exhibit B-1** hereto.

"Refunded 2005 Series A Bonds" shall mean the Outstanding Electric System Revenue Bonds, 2005 Series A of the District maturing in the years 2027 through 2029 and 2035, as described in **Exhibits B-1 and B-2** hereto.

"Refunded 2006 Series A Bonds" shall mean the Outstanding Electric System Revenue Bonds, 2006 Series A of the District maturing in 2037, as described in **Exhibits B-1 and B-2** hereto.

"Representation Letter" shall mean the DTC Blanket Letter of the Representation among the District, the Trustee and DTC, attached as **Exhibit D** hereto.

"Securities Depositories" shall mean The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax - (516) 227-4039 or 4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax - (312) 663-2343; or to such other addresses and/or such other registered securities depositories holding substantial amounts of obligations of types similar to the 2015 Series A Bonds.

"Trustee" shall mean U.S. Bank National Association, Phoenix, Arizona, appointed pursuant to Article IX of the Resolution, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

SECTION 3. Principal Amount, Designation, Series and Allocations. (a) Pursuant to the provisions of the Resolutions, the District is hereby authorized to issue and sell Bonds in the aggregate principal amount of $924,490,000. Such Bonds shall be designated as "Salt River Project Electric System Revenue Bonds, 2015 Series A."

(b) In order to comply with the Opinions and Orders of the Commission, the District reserves the right, and shall, if necessary to comply with

such Opinions and Orders, change the allocations to such Opinions and Orders as set forth in **Exhibit A** hereto.

SECTION 4. Purpose. The purposes for which the 2015 Series A Bonds are issued are: 1) to provide a portion of the moneys required for the payment of the principal of, Redemption Price of and the interest on the Bonds To Be Refunded and the purchase price of and interest on the Citi-Owned Bonds as provided in **Exhibits B-1 and B-2** hereto and herein, for the purpose of realizing present value debt service savings; 2) to finance the costs of acquisition and construction of various capital improvements and additions to the District's Electric System; and 3) to pay certain costs of issuance of the 2015 Series A Bonds.

SECTION 5. Dates, Maturities and Interest. (a) The 2015 Series A Bonds shall be dated, and shall bear interest from, their date of delivery.

(b) The 2015 Series A Bonds shall bear interest at the following rates per annum and shall mature on December 1 in the following years in the following principal amounts:

Year of Maturity (December 1)	Principal Amount	Interest Rate	Yield
2015	$ 25,685,000	1.000%	0.120%
2016	10,520,000	5.000	0.550
2017	2,150,000	5.000	0.850
2020	5,970,000	5.000	1.600
2021	6,385,000	5.000	1.840
2022	6,495,000	5.000	2.060
2026	490,000	5.000	2.650
2027	1,105,000	5.000	2.760
2028	2,815,000	5.000	2.870
2032	25,000,000	4.000	3.580
2032	51,505,000	5.000	3.220
2033	26,195,000	4.000	3.620
2033	27,955,000	5.000	3.260
2034	25,000,000	4.000	3.660
2034	80,650,000	5.000	3.310
2035	4,800,000	3.500	3.750
2035	71,080,000	5.000	3.350
2036	78,655,000	5.000	3.380
2041	60,295,000	5.000	3.520

$83,125,000 3.000% Term Bonds due December 1, 2034, Yield: 3.317%
$88,910,000 3.000% Term Bonds due December 1, 2036, Yield: 3.385%
$239,705,000 5.000% Term Bonds due December 1, 2045, Yield: 3.560%

(c) Interest on the 2015 Series A Bonds shall be payable on December 1, 2015, and semiannually thereafter on June 1 and December 1 of each year to maturity, to the registered owner of the 2015 Series A Bonds as of the immediately preceding November 15 or May 15.

SECTION 6. Denominations, Numbers and Letters. The 2015 Series A Bonds shall be issued only as fully registered bonds without coupons, subject to the provisions regarding a book-entry only system as described in Section 7 hereof, and the 2015 Series A Bonds shall be issued in the denomination of $5,000, or any integral multiple thereof, in all cases not exceeding the aggregate principal amount of 2015 Series A Bonds maturing on the maturity date of the bond for which the denomination is to be specified.

SECTION 7. Book-Entry 2015 Series A Bonds. (a) Beneficial ownership interests in the 2015 Series A Bonds will be available in book-entry form only. Purchasers of beneficial ownership interests in the 2015 Series A Bonds will not receive certificates representing their interests in the 2015 Series A Bonds and will not be Bondholders or owners of the Bonds under the Resolution. DTC, an automated clearinghouse for securities transactions, will act as the Securities Depository for the 2015 Series A Bonds. The 2015 Series A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity (or, if applicable, each interest rate within a maturity) of the 2015 Series A Bonds, in the aggregate principal amount of such maturity (or, if applicable, such interest rate within a maturity), and will be deposited with DTC.

DTC holds securities that its participants ("Participants") deposit with DTC. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). Access to the DTC system is also available to others, such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants").

Purchases of the 2015 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2015 Series A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmation providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2015 Series A Bonds are to be accomplished by entries made on the books of Participants acting on behalf

of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2015 Series A Bonds, except in the event that use of the book-entry system for the 2015 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2015 Series A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2015 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2015 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2015 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2015 Series A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such 2015 Series A Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2015 Series A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2015 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2015 Series A Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on each payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and

disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2015 Series A Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor securities depository is not obtained, the 2015 Series A Bond certificates are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2015 Series A Bond certificates will be printed and delivered.

Beneficial Owners will not be recognized by the Trustee as registered owners for purposes of this 2015 Series A Resolution, and Beneficial Owners will be permitted to exercise the rights of registered owners only indirectly through DTC and the Direct and Indirect Participants.

(b) In the event definitive 2015 Series A Bonds are issued, the provision of the Resolution, including but not limited to Sections 304 and 305 of the Resolution, shall apply to, among other things, the transfer and exchange of such definitive 2015 Series A Bonds and the method of payment of principal of and interest on such definitive 2015 Series A Bonds. Whenever DTC requests the District and the Trustee to do so, the Trustee and the District will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate definitive 2015 Series A Bonds evidencing the Bonds to any DTC Participant having 2015 Series A Bonds credited to its DTC account or (ii) to arrange for another securities depository to maintain custody of definitive 2015 Series A Bonds.

(c) Notwithstanding any other provision of the Resolution to the contrary, so long as any 2015 Series A Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and interest on such 2015 Series A Bond and all notices with respect to such 2015 Series A Bond shall be made and given to Cede & Co., as nominee of DTC, as provided in the Representation Letter. All of the provisions of the Representation Letter shall be deemed to be a part of this 2015 Series A Resolution as fully and to the same extent as if incorporated verbatim herein, with such changes, amendments, modifications, insertions, omissions or additions, as may be approved by an Authorized Representative. Execution by said Authorized Representative of the Representation Letter shall be deemed to be conclusive evidence of approval of any such changes, amendments, modifications, insertions, omissions or additions.

(d) In connection with any notice or other communication to be provided to Bondholders pursuant to the Resolutions by the District or the Trustee with respect to any consent or other action to be taken by Bondholders, the District or the Trustee, as the case may be, shall, to the extent possible,

establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date.

SECTION 8. Paying Agent. Subject to the provisions of Section 7 hereof, the principal of the 2015 Series A Bonds shall be payable at the designated corporate trust office of the Trustee under the Resolutions (or at the principal office of any successor Trustee appointed pursuant to the Resolutions) or at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as authorized by the Resolutions. The Trustee is hereby appointed the Paying Agent for the 2015 Series A Bonds. The interest on the 2015 Series A Bonds will be payable by wired transfer or by check mailed by the Trustee on each Interest Payment Date.

SECTION 9. Redemption Terms and Prices.

(a) Mandatory Sinking Fund Redemption - 2015 Series A Bonds.

The 3.000% 2015 Series A Bonds maturing on December 1, 2034 and bearing CUSIP number 79574CAW3 are subject to mandatory redemption prior to maturity, upon random selection within a maturity by the Trustee, by operation of the Debt Service Fund to satisfy the Sinking Fund Installments set forth in Section 10 hereof, on and after December 1, 2032 at 100% of the principal amount of such 2015 Series A Bonds to be redeemed together with accrued interest up to, but not including, the redemption date.

The 3.000% 2015 Series A Bonds maturing on December 1, 2036 and bearing CUSIP number 79574CAX1 are subject to mandatory redemption prior to maturity, upon random selection within a maturity by the Trustee, by operation of the Debt Service Fund to satisfy the Sinking Fund Installments set forth in Section 10 hereof, on and after December 1, 2032 at 100% of the principal amount of such 2015 Series A Bonds to be redeemed together with accrued interest up to, but not including, the redemption date.

The 2015 Series A Bonds maturing on December 1, 2045 are subject to mandatory redemption prior to maturity, upon random selection within a maturity by the Trustee, by operation of the Debt Service Fund to satisfy the Sinking Fund Installments set forth in Section 10 hereof, on and after December 1, 2042 at 100% of the principal amount of such 2015 Series A Bonds to be redeemed together with accrued interest up to, but not including, the redemption date.

(b) Optional Redemption - 2015 Series A Bonds. The 2015 Series A Bonds maturing on or after December 1, 2026 (except for the 2015 Series A Term Bonds maturing on December 1, 2034 and bearing CUSIP number 79574CAW3 and on December 1, 2036 and bearing CUSIP number 79574CAX1) are subject to redemption at the option of the District prior to maturity, at any time on or after June 1, 2025, as a whole or in part by random

selection by the Trustee within a maturity with the same interest rate from maturities selected by the District, at the Redemption Price of 100% of the principal amount of the 2015 Series A Bonds or portions thereof to be redeemed, together with accrued interest up to but not including the redemption date.

The 2015 Series A Term Bonds maturing December 1, 2034 and bearing CUSIP number 79574CAW3 and on December 1, 2036 and bearing CUSIP number 79574CAX1 are subject to redemption at the option of the District prior to maturity, at any time on or after December 1, 2024, as a whole or in part by random selection by the Trustee within a maturity with the same interest rate from maturities selected by the District, at the Redemption Price of 100% of the principal amount of the 2015 Series A Bonds or portions thereof to be redeemed, together with accrued interest up to but not including the redemption date.

For so long as book entry only system of registration is in effect with respect to the 2015 Series A Bonds if less than all of the 2015 Series A Bonds of a particular maturity (and, if applicable, interest rate within a maturity) are to be redeemed, the particular Beneficial Owner(s) to receive payment of the redemption price with respect to beneficial ownership interests in such 2015 Series A Bonds shall be selected by DTC and the Direct Participants and/or the Indirect Participants.

(c) Notice of Redemption. Notice to Bondholders of such redemption shall be given by mail to the registered owners of the 2015 Series A Bonds to be redeemed, postage prepaid, not less than 25 days nor more than 50 days prior to the redemption date. Failure to give notice of redemption by mail, or any defect in such notice, will not affect the validity of the proceedings for the redemption of any other Electric System Revenue Bonds.

(d) Further Notice. In addition to the foregoing notice, further notice shall be given by the Trustee as set forth in this subsection (d), but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed in subsection (c) above. Each further notice of redemption given hereunder shall be dated and shall state: (i) the redemption date, (ii) the Redemption Price, (iii) if fewer than all Outstanding 2015 Series A Bonds are to be redeemed, the Bond numbers (and, in the case of partial redemption, the respective principal amounts) of the 2015 Series A Bonds to be redeemed, (iv) that on the redemption date the Redemption Price will become due and payable upon each such 2015 Series A Bond or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date, (v) the CUSIP numbers of the 2015 Series A Bonds to be redeemed, (vi) the place where such 2015 Series A Bonds are to be surrendered for payment of the Redemption Price, (vii) the original date of execution and delivery of the 2015 Series A Bonds; (viii) the rate of interest payable with respect to each 2015 Series A Bond being redeemed; (ix) the maturity date of each 2015 Series A Bond being redeemed; and (x) any other

descriptive information needed to identify accurately the 2015 Series A Bonds being redeemed. Each further notice of redemption shall be sent, not less than 25 days nor more than 50 days prior to the redemption date, by electronic, telecopy, registered, certified or overnight mail to all Securities Depositories and to the Information Services. Upon the payment of the Redemption Price of 2015 Series A Bonds being redeemed, each check or other transfer of funds, issued for such purpose shall, to the extent practicable, bear or indicate the CUSIP number identifying, by issue and maturity, the 2015 Series A Bonds being redeemed with the proceeds of such check or other transfer.

(e) Except with respect to the unredeemed portion of any 2015 Series A Bond being redeemed in part, neither the Trustee nor any agent of the Trustee shall be obligated to register the transfer or exchange of any 2015 Series A Bond during the 15 days preceding the date on which notice of redemption of a 2015 Series A Bond is to be given on any Bond that has been called for redemption except the unredeemed portion of any 2015 Series A Bond being redeemed in part.

SECTION 10. Sinking Fund Installments. (a) (1) Sinking Fund Installments are hereby established for the 2015 Series A Bonds maturing on December 1, 2034 and bearing interest at the rate of 3.000%. Such Sinking Fund Installments shall become due on each of the dates set forth in the following table in the respective amounts set forth opposite such dates in said table:

Sinking Fund Payment Date (December 1)	Principal Amount
2032	$26,230,000
2033	17,610,000
2034**	39,285,000

**Final Maturity

(2) Sinking Fund Installments are hereby established for the 2015 Series A Bonds maturing on December 1, 2036 and bearing interest at the rate of 3.000%. Such Sinking Fund Installments shall become due on each of the dates set forth in the following table in the respective amounts set forth opposite such dates in said table:

Sinking Fund Payment Date (December 1)	Principal Amount
2032	$ 5,510,000
2033	5,830,000
2034	6,165,000
2035	34,705,000
2036**	36,700,000

**Final Maturity

(3) Sinking Fund Installments are hereby established for the 2015 Series A Bonds maturing on December 1, 2045 and bearing interest at the rate of 5.000%. Such Sinking Fund Installments shall become due on each of the dates set forth in the following table in the respective amounts set forth opposite such dates in said table:

Sinking Fund Payment Date (December 1)	Principal Amount
2042	$ 34,980,000
2043	76,385,000
2044	24,685,000
2045**	103,655,000

**Final Maturity

(b) The Sinking Fund Installments may be satisfied by the District delivering to the Trustee, no later than 45 days in advance of the date of such Sinking Fund Installment, 2015 Series A Bonds of such maturities theretofore purchased or redeemed by the District otherwise than by operation of the sinking fund redemption provided for in this Section 10.

SECTION 11. Application of the Proceeds of 2015 Series A Bonds. In accordance with the Resolution, the proceeds of the 2015 Series A Bonds shall be applied simultaneously with the delivery of the 2015 Series A Bonds, as follows:

(a) From the proceeds of the 2015 Series A Bonds, $503,381,046.57 shall be deposited with the Trustee for the purchase of Investment Securities by the Trustee and to provide cash, for deposit in the Escrow Fund, as provided in paragraph 3 of the Escrow Deposit Agreement.

(b) From the proceeds of the 2015 Series A Bonds, $162,944,630.89 shall be deposited with the Trustee in the Debt Service

Account for the payment of the purchase price of and interest on the Citi-Owned Bonds, as provided in the Tender Agreement.

(c) From the proceeds of the 2015 Series A Bonds, $335,835,845.91 shall be deposited in the Construction Fund to pay Costs of Construction.

(d) Of the balance of said 2015 Series A Bond proceeds, (i) $881,157.88 shall be used for the payment of the Underwriters' discount; and (ii) $545,000.00 thereof shall be used to pay costs of issuance of the 2015 Series A Bonds.

The principal of and the interest on the Investment Securities so purchased and on deposit in the Escrow Fund are sufficient when due to pay the principal, Redemption Price and interest on the Bonds To Be Refunded when due and payable.

The President, or the Vice President, or the General Manager and Chief Executive Officer, or the Associate General Manager and Chief Financial Executive or the Senior Director of Financial Services and Corporate Treasurer of the District be and are hereby each authorized and directed to increase or decrease the above deposits or to make such other deposits as may be necessary in order to effect the defeasance of the Bonds To Be Refunded in compliance with the law generally and specifically with the Resolutions and Section 148 of the Code. Any adjustments made to the above deposits shall be reflected in the tax certificate of the District and the Escrow Deposit Agreement.

SECTION 12. The Bonds To Be Refunded Escrow Deposit Fund. The Bonds To Be Refunded Escrow Deposit Fund shall be established under the Escrow Deposit Agreement. Such Fund shall be held by the Trustee as Escrow Agent and the amounts in such Fund shall be applied pursuant to the Escrow Deposit Agreement for the payment of the Bonds To Be Refunded.

SECTION 13. Form of 2015 Series A Bonds. Subject to the provisions of the Resolutions, the 2015 Series A Bonds and the Certificate of Authentication shall be in substantially the form of **Exhibit E** hereto.

SECTION 14. Notice of Redemption and Notice of Defeasance of the Bonds To Be Refunded. The District hereby irrevocably elects and directs the Trustee to redeem from the amounts deposited with the Trustee pursuant to Section 11 hereof the Bonds To Be Refunded in the amounts, on the dates and at the redemption prices set forth on **Exhibit B-1** hereto. The District directs the Trustee to give notice of redemption and notice of defeasance as required by Sections 4.05 and 12.01, respectively, of the Resolution. In addition to the foregoing notice, further notice shall be given by the Trustee as set forth below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for

redemption if notice thereof is given as prescribed above. Each further notice of redemption given hereunder shall be dated and shall state: (i) the redemption date, (ii) the Redemption Price, (iii) the Bond numbers (and, in the case of a partial redemption, the respective principal amounts) of the Bonds To Be Refunded to be redeemed, (iv) that on the redemption date the Redemption Price will become due and payable upon each of such Bonds To Be Refunded called for redemption, and that interest with respect thereto shall cease to accrue from and after said date, (v) the CUSIP numbers of the Bonds To Be Refunded to be redeemed, (vi) the place where such Bonds To Be Refunded are to be surrendered for payment of the Redemption Price, (vii) the original date of execution and delivery of the Bonds To Be Refunded, (viii) the rate of interest payable with respect to each of the Bonds To Be Refunded being redeemed, (ix) the maturity date of each of the Bonds To Be Refunded being redeemed, and (x) any other descriptive information needed to identify accurately the Bonds To Be Refunded being redeemed. Each further notice of redemption shall be sent, not less than 25 days nor more than 50 days prior to the redemption date, by telecopy, registered, certified or overnight mail to all Securities Depositories and to the Information Services. Upon the payment of the Redemption Price of the Bonds To Be Refunded being redeemed, each check or other transfer of funds, issued for such purpose shall, to the extent practicable, bear or indicate the CUSIP number identifying, by issue and maturity, the Bonds To Be Refunded being redeemed with the proceeds of such check or other transfer. For the purpose of satisfying the publication and/or mailing requirement of redemption and defeasance notices set forth in the Resolution, the Trustee may combine into one or more notices the notices required under the Resolution and may add to such notice or notices the information listed in (i) through (x) above as it deems necessary.

SECTION 15. Escrow Deposit Agreement. Upon the issuance of the 2015 Series A Bonds, the District intends to enter into the Escrow Deposit Agreement. The form of the Escrow Deposit Agreement in substantially the form attached hereto as **Exhibit C** is hereby approved. The President, or the Vice President, or the General Manager and Chief Executive Officer, or the Associate General Manager and Chief Financial Executive or the Senior Director of Financial Services and Corporate Treasurer of the District are hereby each authorized and directed to execute the Escrow Deposit Agreement and to deliver the Escrow Deposit Agreement to the Trustee as the Escrow Agent, and they are hereby each authorized and directed to execute and deliver the Escrow Deposit Agreement. All of the provisions of the Escrow Deposit Agreement, when executed and delivered by the District as authorized herein and when duly authorized and executed by the Trustee as Escrow Agent, shall be deemed to be a part of this 2015 Series A Resolution as fully and to the same extent as if incorporated verbatim herein, with such changes, amendments, modifications, insertions, omissions or additions, including the date of such Escrow Deposit Agreement, as may be approved by the President, or the Vice President, or the General Manager and Chief Executive Officer, or the Associate General Manager and Chief Financial Executive or the Senior Director of Financial

Services and Corporate Treasurer of the District. Execution by said President or Vice President, or General Manager and Chief Executive Officer, or Associate General Manager and Chief Financial Executive or the Senior Director of Financial Services and Corporate Treasurer of the Escrow Deposit Agreement shall be deemed to be conclusive evidence of approval of any such changes, amendments, modifications, insertions, omissions or additions.

SECTION 16. Execution, Delivery and Authentication. The 2015 Series A Bonds shall be executed by imprinting thereon the manual or facsimile signature of the President or Vice President of the District and by affixing thereto the corporate seal of the District or facsimile thereof and said signature and seal shall be attested by the manual or facsimile signature of the Corporate Secretary or an Assistant Secretary of the District. The President or the Senior Director of Financial Services and Corporate Treasurer of the District or their designees are hereby authorized and directed to deliver the 2015 Series A Bonds executed in the foregoing manner to the Purchasers upon payment of the purchase price specified in Section 17 hereof pursuant to the terms and conditions of the Purchase Contract. There is hereby authorized to be printed or otherwise reproduced on the back of, or attached to, each of the 2015 Series A Bonds, the opinion of Chiesa Shahinian & Giantomasi PC, Bond Counsel, the opinion of Polsinelli PC, Special Tax Counsel, and a certification executed by the manual or facsimile signature of the Corporate Secretary or an Assistant Secretary of the District with respect to the form and delivery of said opinion. All Officers of the District and employees designated by Officers are authorized to sign and execute all certificates and documents required for the sale and delivery of the 2015 Series A Bonds and the refunding and defeasance of the Bonds To Be Refunded.

The Trustee (or its duly designated agent) as Authenticating Agent is hereby authorized and directed to manually execute the Certificate of Authentication appearing on the 2015 Series A Bonds. No 2015 Series A Bond shall be issued and delivered hereunder without the manual signature of an authorized representative of the Trustee or its Authenticating Agent appearing on such Certificate of Authentication.

SECTION 17. Purchase Contract. The Purchase Contract, which is attached hereto as **Exhibit F**, is hereby approved. The 2015 Series A Bonds are hereby sold to the Purchasers, pursuant to the terms and conditions of the Purchase Contract, at an aggregate purchase price of $1,002,706,523.37, calculated as follows: $924,490,000.00 aggregate principal amount of 2015 Series A Bonds, plus $79,097,681.25 net Original Issue Premium, and less Underwriters' Discount in the amount of $881,157.88; and the President, or the Vice President, or the General Manager and Chief Executive Officer, or the Associate General Manager and Chief Financial Executive or the Senior Director of Financial Services and Corporate Treasurer or any Assistant Treasurer of the District are each hereby authorized and directed to execute the Purchase

Contract and to deliver the same for and on behalf of the District to the Purchasers.

SECTION 18. Amortization of Financing Costs and Accounting Loss on Defeasance. In order to provide accurate accounting records and reports, (i) the issuance costs of approximately $1,427,000 resulting from the issuance of the 2015 Series A Bonds shall be amortized monthly over the life of the 2015 Series A Bonds; (ii) the accounting loss of approximately $3,000,000 on the defeasance of the Bonds To Be Refunded and the accounting loss of approximately $1,000,000 on the purchase of the Citi-Owned Bonds shall be amortized monthly over the life of the Bonds To Be Refunded.

SECTION 19. Good Faith Deposit. The good faith deposit in the amount of $8,000,000 received by the District from the Purchasers shall be held by the District in accordance with the terms of the Purchase Contract.

SECTION 20. Approval of Final Official Statement and Continuing Disclosure Agreement. The preparation and distribution of the Preliminary Official Statement, dated May 4, 2015, attached hereto as **Exhibit G**, is hereby ratified and confirmed and the Preliminary Official Statement is deemed "final" as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain omissions permitted thereunder and except for changes permitted by other applicable law. Authorized Officers and staff of the District are authorized to prepare and deliver to the Purchasers an Official Statement, dated the date hereof, relating to the 2015 Series A Bonds, substantially in the form attached hereto as **Exhibit H**. The form of the Continuing Disclosure Agreement attached hereto as **Exhibit I** is hereby approved. The President, or the Vice President, or the General Manager and Chief Executive Officer, or the Associate General Manager and Chief Financial Executive or the Senior Director of Financial Services and Corporate Treasurer or any Assistant Treasurer of the District are hereby each authorized and directed to execute and deliver the Official Statement, for and on behalf of the District, to the Purchasers, and the Continuing Disclosure Agreement to the Trustee. The Secretary or an Assistant Secretary of the District are each hereby authorized to attest signatures, if required.

SECTION 21. Tender Agreement. The Tender Agreement, which is attached hereto as **Exhibit J**, is hereby approved. The Citi-Owned Bonds are hereby approved for acquisition from Citibank, N.A. pursuant to the terms and conditions of the Tender Agreement; and the President, or the Vice President, or the General Manager and Chief Executive Officer, or the Associate General Manager and Chief Financial Executive or the Senior Director of Financial Services and Corporate Treasurer or any Assistant Treasurer of the District are each hereby authorized and directed to execute the Tender Agreement and to deliver the same for and on behalf of the District to the other parties thereto.

SECTION 22. Arbitrage Covenant. The District covenants and agrees that it shall not direct or permit any action which would cause any 2015 Series A Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code or direct or permit any action inconsistent with the applicable regulations thereunder as amended from time to time and as applicable to the 2015 Series A Bonds. The provisions of this Section 22 shall survive any defeasance of the 2015 Series A Bonds pursuant to the Resolution.

SECTION 23. Tax Exemption. In order to maintain the exclusion from Federal gross income of interest on the 2015 Series A Bonds, the District shall comply with the provisions of the Code applicable to the 2015 Series A Bonds, including without limitation the provisions of the Code relating to the computation of the yield on investments of the gross proceeds of the 2015 Series A Bonds, reporting of earnings on the gross proceeds of the 2015 Series A Bonds, and rebate of excess earnings to the Department of the Treasury of the United States of America and shall not take any action or permit any action that would cause the interest on the 2015 Series A Bonds to be included in gross income under Section 103 of the Code or cause interest on the 2015 Series A Bonds to be an item of tax preference under Section 57 of the Code. In furtherance of the foregoing, the District shall comply with the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Code, to be executed by the President, or the Vice President, or the General Manager and Chief Executive Officer, or the Associate General Manager and Chief Financial Executive or the Senior Director of Financial Services and Corporate Treasurer of the District at the time the 2015 Series A Bonds are issued, as such Tax Certificate may be amended from time to time, as a source of guidance for achieving compliance with the Code, and such officers are hereby authorized and directed to execute and deliver such Tax Certificate for and on behalf of the District. The provisions of this Section 22 shall survive any defeasance of the 2015 Series A Bonds pursuant to the Resolution.

SECTION 24. Severability. If any one or more of the covenants or agreements provided in this 2015 Series A Resolution on the part of the District or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this 2015 Series A Resolution, so long as this 2015 Series A Resolution as so modified continues to express, without material change, the original intentions of the District or any Fiduciary as to the subject matter of this 2015 Series A Resolution and the deletion of such portion of this 2015 Series A Resolution will not substantially impair the respective benefits or expectations of the District or any Fiduciary.

SECTION 25. Effective Date. This 2015 Series A Resolution shall take effect immediately upon adoption.

Exhibit B-1

Bonds To Be Refunded

Series	Maturity Date	Interest Rate	Par Amount Refunded	Call Date	Call Price	CUSIP**
Electric System Revenue Bonds 2004 Series A	1/1/2016	5.000%	$ 13,575,000	6/22/2015	100%	79575DTU4
	1/1/2017	5.000%	11,210,000	6/22/2015	100%	79575DTV2
	1/1/2018	4.000%	2,875,000	6/22/2015	100%	79575DTW0
	1/1/2021	5.000%	6,700,000	6/22/2015	100%	79575DTX8
	1/1/2022	5.000%	7,150,000	6/22/2015	100%	79575DTY6
	1/1/2023	5.000%	7,295,000	6/22/2015	100%	79575DTZ3
	1/1/2024	5.000%	865,000	6/22/2015	100%	79575DUA6
		Subtotal	***$ 49,670,000***			
Electric System Revenue Bonds 2005 Series A	1/1/2027	5.000%	475,000	1/1/2016	100%	79575DUF5
	1/1/2028	5.000%	1,090,000	1/1/2016	100%	79575DUG3
	1/1/2029	5.000%	3,600,000	1/1/2016	100%	79575DUH1
	1/1/2035*	5.000%	170,290,000	1/1/2016	100%	79575DUJ7
	1/1/2035*	4.750%	40,000,000	1/1/2016	100%	79575DUK4
		Subtotal	***$ 215,455,000***			
Electric System Revenue Bonds 2006 Series A	1/1/2037*	5.000%	216,000,000	1/1/2016	100%	79575DVC1
		Subtotal	***$ 216,000,000***			
		Total	***$ 411,125,000***			

*Final Maturity of Term Bond.

** CUSIP Numbers are provided for convenience of reference only. The District assumes no responsibility for the accuracy of such numbers.

Exhibit B-2

Citi-Owned Bonds

Series	Maturity Date	Interest Rate	Par Amount Purchased	Purchase Date	CUSIP**
Electric System Revenue Bonds 2005 Series A	1/1/2035*	5.000%	$75,805,000	6/2/2015	79575DUJ7
		Subtotal	***$ 75,805,000***		
Electric System Revenue Bonds 2006 Series A	1/1/2037*	5.000%	80,000,000	6/2/2015	79575DVC1
		Subtotal	***$ 80,000,000***		
		Total	***$ 155,805,000***		

*Final Maturity of Term Bond.
** CUSIP Numbers are provided for convenience of reference only. The District assumes no responsibility for the accuracy of such numbers.

EXHIBIT E
Form of Bond

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), **ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.** As provided in the Resolutions referred to herein, until the termination of the system of book-entry-only transfers through DTC and notwithstanding any other provision of the Resolutions to the contrary, a portion of the principal amount of this bond may be paid or redeemed without surrender hereof to the Paying Agent. DTC or a nominee, transferee or assignee of DTC of this bond may not rely upon the principal amount indicated hereon as the principal amount hereof outstanding and unpaid. The principal amount hereof outstanding and unpaid shall for all purposes be the amount determined in the manner provided in the Resolutions.

Number R $

UNITED STATES OF AMERICA
STATE OF ARIZONA COUNTY OF MARICOPA
SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT
SALT RIVER PROJECT ELECTRIC SYSTEM
REVENUE BOND, 2015 SERIES A

Interest Rate	Maturity Date	Dated Date	CUSIP
	December 1, 20__	June 2 , 2015	

Registered Owner: Cede & Co.

Principal Sum:

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, Maricopa County, Arizona (herein called the "District"), a political subdivision and body politic and corporate organized and existing under the Constitution and laws of the State of Arizona, acknowledges itself indebted to, and for value received hereby promises to pay, solely from the revenues and special funds of the District pledged therefor as hereinafter provided, to the registered owner identified above or registered assigns, on the maturity date set forth above, upon presentation and surrender of this 2015 Series A Bond (as hereinafter defined) at the designated corporate trust office of U.S. Bank National Association (such bank and any successor thereto being herein called the "Paying Agent"), at the option of the registered owner, the principal sum set forth above in any coin or currency of the United States of America which at the time of payment is legal tender for payment of public and private debts, and to pay solely from such revenues and special funds pledged therefor to the registered owner hereof interest on such principal sum from the dated date set forth above or from the most recent interest payment date to which interest has been paid or duly provided for, at the interest rate shown above per annum, payable by check mailed by the Trustee (hereinafter defined), on the first days of December and June (beginning December 1, 2015) in each year to the person in whose name this 2015 Series A Bond is registered as of the close of business on the immediately preceding November 15 or May 15 until the District's obligation with respect to the payment of such principal sum shall be discharged.

This Bond is one of a duly authorized series of Bonds of the District in the aggregate principal amount of $924,490,000 designated as its "Salt River Project Electric System Revenue Bonds, 2015 Series A" (herein called the "2015 Series A Bonds"), issued to refund certain of the District's outstanding Revenue Bonds pursuant to the Constitution and laws of the State of Arizona, including Article 7, Chapter 17, Title 48 of the Arizona Revised Statutes (herein called the "Act"), and under and pursuant to a resolution of the Board of Directors of the District, entitled "Supplemental Resolution Dated September 10, 2001 Authorizing an Amended and Restated Resolution Concerning Revenue Bonds," which became effective January 11, 2003 as amended and supplemented, and a resolution of the Board of Directors of the District, dated as of May 15, 2015 entitled "Resolution Authorizing the Issuance and Sale of $924,490,000 Salt River Project Electric System Revenue Bonds, 2015 Series A of the Salt River Project Agricultural Improvement and Power District, and Providing for the Form, Details and Terms Thereof" (the "2015 Series Resolution" and, collectively, the "Resolutions"). Each capitalized term not defined herein shall have the meaning set forth in the Resolutions. As provided in the Resolutions, the 2015 Series A Bonds, and the outstanding Electric System Revenue Bonds heretofore issued pursuant to the Resolution Concerning Revenue Bonds, as to principal and interest thereon are payable from and secured by a pledge of the revenues of the District's Electric System referred to in the Resolutions and other funds held or set aside under the Resolutions. Such pledge is subject and subordinate in all respects to the payment of operating expenses and to the prior pledge of such revenues to the repayment of certain federal loan agreements heretofore or

hereafter entered into by the District. Copies of the Resolutions are on file at the office of the District and at the designated corporate trust office of U.S. Bank National Association, Phoenix, Arizona, as Trustee under the Resolutions, or its successor as Trustee (herein called the "Trustee"), and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledge and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the registered owners of the Bonds with respect thereto and the terms and conditions upon which the Bonds are issued and may be issued thereunder.

The 2015 Series A Bonds are being issued by means of a book-entry system, with no physical distribution of bond certificates to be made except as provided in the Resolutions. One bond certificate for each maturity (or, if applicable, each interest rate within a maturity), registered in the name of the Securities Depository nominee, Cede & Co., is being issued for deposit with the Securities Depository and immobilized in its custody. The book-entry system will evidence positions held in the 2015 Series A Bonds by the Securities Depository's participants; beneficial ownership of the 2015 Series A Bonds, in the principal amount of $924,490,000 or any integral multiple thereof, shall be evidenced in the records of such participants. Transfers of ownership shall be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants. The District and the Trustee will recognize the Securities Depository nominee, while the registered owner of this 2015 Series A Bond, as the owner of this 2015 Series A Bond for all purposes, including payments of principal of and interest on, this 2015 Series A Bond, notices and voting. Transfers of principal and interest payments to participants of the Securities Depository will be the responsibility of the Securities Depository, and transfers of principal and interest payments to beneficial owners of the 2015 Series A Bonds by participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The District will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository nominee, its participants or persons acting through such participants. While the Securities Depository nominee is the owner of this 2015 Series A Bond, notwithstanding any provisions herein contained to the contrary, payments of principal of and interest on this 2015 Series A Bond shall be made in accordance with existing arrangements among the Trustee, the District and the Securities Depository.

This 2015 Series A Bond is transferable as provided in the Resolutions; provided, however, that such transfer may be made only upon books kept for that purpose at the above mentioned office of the Trustee and at the office of any Paying Agent then acting as agent of the Trustee for such purpose, by the registered owner hereof in person, or by his duly authorized attorney, upon surrender of this 2015 Series A Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his

duly authorized attorney, and thereupon a new registered Bond or Bonds, in authorized denominations and for the same aggregate principal amounts, shall be issued to the transferee in exchange therefor as provided in the Resolutions, and upon payment of the charges therein prescribed. The District and the Trustee may deem and treat the person in whose name this 2015 Series A Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon and for all other purposes.

The 2015 Series A Bonds are issuable in the form of registered Bonds in the denomination of $5,000 or any integral multiple of $5,000. The 2015 Series A Bonds, upon surrender thereof at the designated corporate trust office of the Trustee or at the office of any Paying Agent then acting as agent for the Trustee for such purpose at the option of the registered owner thereof, may be exchanged for an equal aggregate principal amount of 2015 Series A Bonds of any other authorized denomination, of the same stated maturity, in the same manner, subject to the conditions, and upon the payment of the charges, if any, provided in the Resolutions.

As provided in the Resolutions, Bonds of the District may be issued from time to time pursuant to supplemental resolutions in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary. The aggregate principal amount of Bonds which may be issued under the Resolution Concerning Revenue Bonds is not limited except as provided in the Resolution Concerning Revenue Bonds, and all Bonds heretofore issued and to be issued under the Resolution Concerning Revenue Bonds are and will be equally secured by the pledge and covenants made therein.

The 3.000% 2015 Series A Bonds maturing on December 1, 2034 and bearing CUSIP number 79574CAW3 are subject to mandatory redemption prior to maturity, upon random selection within a maturity by the Trustee, by operation of the Debt Service Fund to satisfy the Sinking Fund Installments required by the 2015 Series Resolution, on and after December 1, 2032 at 100% of the principal amount of such 2015 Series A Bonds to be redeemed together with accrued interest up to, but not including, the redemption date. Such Sinking Fund Installments will be sufficient to redeem such 2015 Series A Bonds on the dates and in the principal amounts shown below.

Sinking Fund Payment Date (December 1)	Principal Amount
2032	$26,230,000
2033	17,610,000
2034**	39,285,000

**Final Maturity

The 3.000% 2015 Series A Bonds maturing on December 1, 2036 and bearing CUSIP number 79574CAX1 are subject to mandatory redemption prior to maturity, upon random selection within a maturity by the Trustee, by operation of the Debt Service Fund to satisfy the Sinking Fund Installments required by the 2015 Series Resolution, on and after December 1, 2032 at 100% of the principal amount of such 2015 Series A Bonds to be redeemed together with accrued interest up to, but not including, the redemption date. Such Sinking Fund Installments will be sufficient to redeem such 2015 Series A Bonds on the dates and in the principal amounts shown below.

Sinking Fund Payment Date (December 1)	Principal Amount
2032	$ 5,510,000
2033	5,830,000
2034	6,165,000
2035	34,705,000
2036**	36,700,000

**Final Maturity

The 2015 Series A Bonds maturing on December 1, 2045 are subject to mandatory redemption prior to maturity, upon random selection within a maturity by the Trustee, by operation of the Debt Service Fund to satisfy the Sinking Fund Installments required by the 2015 Series Resolution, on and after December 1, 2042 at 100% of the principal amount of such 2015 Series A Bonds to be redeemed together with accrued interest up to, but not including, the redemption date. Such Sinking Fund Installments will be sufficient to redeem such 2015 Series A Bonds on the dates and in the principal amounts shown below.

Sinking Fund Payment Date (December 1)	Principal Amount
2042	$ 34,980,000
2043	76,385,000
2044	24,685,000
2045**	103,655,000

**Final Maturity

The 2015 Series A Bonds maturing on or after December 1, 2026 (except for the 2015 Series A Term Bonds maturing on December 1, 2034 and bearing CUSIP number 79574CAW3 and on December 1, 2036 and bearing CUSIP number 79574CAX1) are subject to redemption at the option of the District prior to maturity, at any time on or after June 1, 2025, as a whole or in part by random selection by the Trustee within a maturity with the same interest rate from

maturities selected by the District, at the Redemption Price of 100% of the principal amount of the 2015 Series A Bonds or portions thereof to be redeemed, together with accrued interest up to but not including the redemption date.

The 2015 Series A Term Bonds maturing December 1, 2034 and bearing CUSIP number 79574CAW3 and on December 1, 2036 and bearing CUSIP number 79574CAX1 are subject to redemption at the option of the District prior to maturity, at any time on or after December 1, 2024, as a whole or in part by random selection by the Trustee within a maturity with the same interest rate from maturities selected by the District, at the Redemption Price of 100% of the principal amount of the 2015 Series A Bonds or portions thereof to be redeemed, together with accrued interest up to but not including the redemption date.

For so long as book entry only system of registration is in effect with respect to the 2015 Series A Bonds if less than all of the 2015 Series A Bonds of a particular maturity (and, if applicable, interest rate within a maturity) is to be redeemed, the particular Beneficial Owner(s) to receive payment of the redemption price with respect to beneficial ownership interests in such 2015 Series A Bonds shall be selected by DTC and the Direct Participants and/or the Indirect Participants.

Notice of redemption shall be mailed to the registered owners of the 2015 Series A Bonds not less than 25 days nor more than 50 days prior to the redemption date, all in the manner and upon the terms and conditions set forth in the Resolutions. If notice of redemption shall have been mailed as aforesaid, the 2015 Series A Bonds or portions thereof specified in said notice shall become due and payable on the redemption date therein fixed, and if, on the redemption date, moneys for the redemption of all the 2015 Series A Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such Bonds or portions thereof so called for redemption shall cease to accrue and be payable.

This 2015 Series A Bond shall not be entitled to any benefit under the Resolutions or be valid or become obligatory for any purpose until this 2015 Series A Bond shall have been authenticated by the manual signature of a duly authorized signatory of the Trustee or its duly authorized agent on the Certificate of Authentication.

It is hereby certified and recited that all conditions, acts and things required by law and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this 2015 Series A Bond, exist, have happened and have been performed and that the 2015 Series A Bonds, together with all other indebtedness of the District, are within every debt and other limit prescribed by the laws of the State of Arizona.

IN WITNESS WHEREOF, SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, by authority of the Act, has caused this 2015 Series A Bond to be executed by the manual or facsimile signature of its President or Vice President thereunto duly authorized and the corporate seal of said District or facsimile thereof to be hereunto affixed and attested by the manual or facsimile signature of its Secretary or Assistant Secretary, all as of June 2, 2015.

(SEAL)

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

Attest:

By: _____
, President

By: _____
, Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds delivered pursuant to the Resolutions mentioned within.

DATED: June 2, 2015

U.S. Bank National Association, as Trustee

By:_____
, Authorized Signatory

The undersigned Secretary of the Salt River Project Agricultural Improvement and Power District hereby certifies that the following is a full, true and correct copy of the original legal opinion of Chiesa Shahinian & Giantomasi PC, as to the validity and security of the Series of Bonds of which the within Bond is one and the original legal opinion of Polsinelli PC, as to certain tax matters with respect to the Bonds, dated as of the date of delivery of said Bonds and delivered as of said date.

_____

Secretary

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

PLEASE PRINT OR TYPEWRITE NAME AND **ADDRESS OF TRANSFEREE, ADDRESS** AND SOCIAL SECURITY NUMBER OR OTHER FEDERAL TAX IDENTIFICATION NUMBER OF TRANSFEREE

> the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

Signature Guaranteed by:

Signature guarantee should be made by guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

NOTICE: The signature(s) on this assignment must correspond with the name(s) as written on face of the within bond in every particular, without alteration or enlargement or any change whatsoever.

CERTIFICATE

I, JOHN M FELTY, the duly appointed, qualified, and acting Assistant Corporate Secretary of the Salt River Project Agricultural Improvement and Power District (the District), a special district under Title 48 of the Arizona Revised Statutes, DO HEREBY CERTIFY that attached hereto is true and correct copy of a Resolution adopted by the District Council at a meeting duly held on May 15th, 2015, at which a quorum was present and voted, and that no change, revision, amendment, or addendum has been made subsequent thereto.

IN WITNESS WHEREOF, I have set my hand and seal of the Salt River Project Agricultural Improvement and Power District, this 22nd day of July 2015.

John M. Felty
Assistant Corporate Secretary

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT
MARICOPA COUNTY
SEAL
ARIZONA

RESOLUTION OF THE COUNCIL APPROVING THE PRIVATE SALE BY THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT AND RATIFYING AND CONFIRMING TERMS AND CONDITIONS OF $924,490,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2015 SERIES A

WHEREAS, The Board of Directors (the "Board") of the Salt River Project Agricultural Improvement and Power District (the "District"), by resolution entitled "Supplemental Resolution Dated September 10, 2001 Authorizing an Amended and Restated Resolution Concerning Revenue Bonds," which became effective January 11, 2003, as amended and supplemented, has created and established an issue of Salt River Project Electric System Revenue Bonds (the "Bonds"), which Bonds may be authorized from time to time pursuant to Series Resolutions; and

WHEREAS, the Board adopted on this date its "RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF $924,490,000 SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2015 SERIES A OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND PROVIDING FOR THE FORM, DETAILS AND TERMS THEREOF" (the "2015 Series A Resolution") (the form of which is attached hereto as **Exhibit A**), that, among other things, fixes the form, terms and conditions of the 2015 Series A Bonds, authorizes the issuance of the 2015 Series A Bonds and the private sale of the 2015 Series A Bonds to purchasers represented by and including Goldman, Sachs & Co., Bank of America Merrill Lynch, Citigroup Global Markets Inc., J.P. Morgan Securities Inc. and Morgan Stanley & Co. LLC, (hereinafter collectively referred to as the "2015 Series A Purchasers") pursuant to the terms and conditions of a Purchase Contract, dated May 15, 2015, by and among the District and the 2015 Series A Purchasers (the "2015 Series A Purchase Contract") (the form of which is attached hereto as **Exhibit B**); and

WHEREAS, pursuant to the requirements of Title 48, Chapter 17, Article 7, of the Arizona Revised Statutes, no bonds may be issued by the District unless the Council, by resolution adopted by an affirmative vote of a majority of its members, ratifies and confirms the amount of the bonds authorized to be issued by the Board and, if the Board determines to sell bonds at private sale, such sale shall be subject to prior approval by a majority of the members of the Council;

NOW, THEREFORE, BE IT RESOLVED, by the members of the Council of the Salt River Project Agricultural Improvement and Power District as follows:

(i) The maturities, redemption provisions and other terms and conditions of the 2015 Series A Bonds, as contained in the 2015 Series A Resolution, are hereby ratified, confirmed and approved.

(ii) The private sale of $924,490,000 2015 Series A Bonds to the 2015 Series A Purchasers, pursuant to the 2015 Series A Resolution and the 2015 Series A Purchase Contract at an aggregate purchase price of $1,002,706,523.37, calculated as follows: $924,490,000 aggregate principal amount of 2015 Series A Bonds, plus $79,097,681.25 net Original Issue Premium, less Underwriters' Discount in the amount of $881,157.88, is hereby ratified, confirmed and approved.

(iii) This resolution shall take effect immediately.

NEW ISSUE **FULL BOOK-ENTRY**

In the opinion of Special Tax Counsel, under existing statutes and court decisions and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the District, interest on the 2015 Series A Bonds is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Special Tax Counsel, interest on the 2015 Series A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however is included in adjusted current earnings in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code on certain corporations. In the opinion of Special Tax Counsel, interest on the 2015 Series A Bonds is exempt from income taxes imposed by the State of Arizona. See "TAX MATTERS" herein regarding certain other tax considerations.

$924,490,000
SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, ARIZONA
Salt River Project Electric System Revenue Bonds, 2015 Series A

Dated: Date of Delivery **Due: As shown on inside cover**

The Salt River Project Electric System Revenue Bonds, 2015 Series A (the "2015 Series A Bonds") are being issued pursuant to the Supplemental Resolution Dated September 10, 2001, authorizing an Amended and Restated Resolution Concerning Revenue Bonds, which became effective January 11, 2003, as amended and supplemented (the "Resolution"). The 2015 Series A Bonds, together with heretofore and hereafter issued Revenue Bonds, are payable from and secured by a pledge of and lien on all Revenues of the District from the ownership and operation of the Electric System after the payment of Operating Expenses.

The 2015 Series A Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2015 Series A Bonds. Individual purchases of interests in the 2015 Series A Bonds may be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers of such interests will not receive certificates representing their interests in the 2015 Series A Bonds. Interest with respect to the 2015 Series A Bonds is payable December 1 and June 1 of each year, commencing December 1, 2015.

The principal of, redemption price, if any, and interest on the 2015 Series A Bonds are payable by U.S. Bank National Association, as Trustee, and interest will be payable by check mailed by the Trustee to the registered owner of each 2015 Series A Bond as of the immediately preceding November 15 or May 15. So long as Cede & Co. is the registered owner, the Trustee will pay such principal and redemption price, if any, of and interest on the 2015 Series A Bonds to DTC, which will remit such principal, redemption price, if any, and interest to its Direct Participants for subsequent disbursement to the Beneficial Owners of the 2015 Series A Bonds. The 2015 Series A Bonds are subject to optional redemption as described herein. See "THE 2015 SERIES A BONDS — Redemption" herein.

The 2015 Series A Bonds do not constitute general obligations of the District or obligations of the State of Arizona, and no holder of any of the 2015 Series A Bonds has the right to compel the exercise of the taxing powers of the District to pay the 2015 Series A Bonds or the interest thereon.

This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the 2015 Series A Bonds. Investors should read this Official Statement in its entirety before making an investment decision.

The 2015 Series A Bonds are offered when, as and if issued, and subject to the approval of legality by Chiesa Shahinian & Giantomasi PC, Bond Counsel. Certain legal matters will be passed upon for the District by Polsinelli PC, Special Tax Counsel, and for the Underwriters by Winston & Strawn LLP. It is expected that the 2015 Series A Bonds will be available for delivery through the facilities of DTC on or about June 2, 2015.

Goldman, Sachs & Co.

BofA Merrill Lynch **Citigroup** **J.P. Morgan** **Morgan Stanley**

Dated: May 15, 2015

SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2015 SERIES A

Serial Bonds

Maturity (December 1)	Principal Amount	Interest Rate	Yield	CUSIP Number**
2015	$25,685,000	1.000%	0.120%	79574CAF0
2016	10,520,000	5.000%	0.550%	79574CAU7
2017	2,150,000	5.000%	0.850%	79574CAG8
2020	5,970,000	5.000%	1.600%	79574CAH6
2021	6,385,000	5.000%	1.840%	79574CAJ2
2022	6,495,000	5.000%	2.060%	79574CAK9
2026*	490,000	5.000%	2.650%	79574CAL7
2027*	1,105,000	5.000%	2.760%	79574CAM5
2028*	2,815,000	5.000%	2.870%	79574CAN3
2032*	25,000,000	4.000%	3.580%	79574CAZ6
2032*	51,505,000	5.000%	3.220%	79574CAP8
2033*	26,195,000	4.000%	3.620%	79574CAQ6
2033*	27,955,000	5.000%	3.260%	79574CAY9
2034*	25,000,000	4.000%	3.660%	79574CBA0
2034*	80,650,000	5.000%	3.310%	79574CAR4
2035	4,800,000	3.500%	3.750%	79574CAV5
2035*	71,080,000	5.000%	3.350%	79574CAS2
2036*	78,655,000	5.000%	3.380%	79574CAT0
2041*	60,295,000	5.000%	3.520%	79574CBC6

Term Bonds

$83,125,000***	3.000% Term Bonds due December 1, 2034, Price:	95.480%, CUSIP**	79574CAW3
$88,910,000***	3.000% Term Bonds due December 1, 2036, Price:	94.152%, CUSIP**	79574CAX1
$239,705,000	5.000% Term Bonds due December 1, 2045*, Yield:	3.560%, CUSIP**	79574CBB8

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* Priced to the first optional redemption date of June 1, 2025.

** CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. and are included solely for the convenience of the Holders of the 2015 Series A Bonds. The District is not responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the 2015 Series A Bonds or as indicated above. The CUSIP number for a specific maturity is subject change after the issuance of the 2015 Series A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as the result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2015 Series A Bonds.

*** Citigroup Global Markets, Inc. is not acting as an underwriter for the 2015 Series A Bonds maturing on December 1, 2034 and identified by CUSIP number 79574CAW3 or the 2015 Series A Bonds maturing on December 1, 2036 and identified by the CUSIP number 79574CAX1.

MANAGEMENT OF THE DISTRICT

BOARD OF DIRECTORS

William W. Arnett	Mark V. Pace
Fred J. Ash	Carolyn Pendergast
Arthur L. Freeman	Paul E. Rovey
Deborah S. Hendrickson	John M. White Jr.
Mario J. Herrera	Leslie C. Williams
Kevin J. Johnson	Stephen H. Williams
Wendy L. Marshall	Keith B. Woods

PRINCIPAL OFFICERS AND OTHER EXECUTIVES

David Rousseau	*President*
John R. Hoopes	*Vice President*
Mark B. Bonsall	*General Manager & Chief Executive Officer*
John F. Sullivan	*Deputy General Manager & Chief Strategic Initiatives Executive*
Steven J. Hulet	*Senior Director of Financial Services & Corporate Treasurer*
Stephanie K. Reed	*Corporate Secretary*
Peter M. Hayes	*Associate General Manager & Chief Public Affairs Executive*
Michael Hummel	*Associate General Manager & Chief Power System Executive*
Michael W. Lowe	*Associate General Manager & Chief Customer Executive*
Aidan J. McSheffrey	*Associate General Manager & Chief Financial Executive*
Michael J. O'Connor	*Associate General Manager & Chief Legal Executive*
Gena P. Trimble	*Associate General Manager & Chief Communications Executive*

SPECIAL SERVICES

Legal Advisors	*Jennings, Strouss & Salmon, P.L.C.*
Independent Accountants	*PricewaterhouseCoopers LLP*
Bond Counsel	*Chiesa Shahinian & Giantomasi PC*
Special Tax Counsel	*Polsinelli PC*
Financial Consultant	*Public Financial Management*
Verification Services	*Causey Demgen & Moore Inc.*
Trustee and Paying Agent	*U.S. Bank National Association*

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 2015 Series A Bonds described herein in any jurisdiction to any person to whom it is unlawful to make such an offer. No dealer, broker, salesman or other person has been authorized by the Salt River Project Agricultural Improvement and Power District (the "District") or the Underwriters to give any information or to make any representations with respect to the 2015 Series A Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriters.

The information set forth herein has been furnished by the District and other sources which are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the Electric System since the date hereof.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THE OFFERING OF THE 2015 SERIES A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2015 SERIES A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE. THE UNDERWRITERS MAY OFFER AND SELL THE 2015 SERIES A BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

This Official Statement contains forward-looking statements within the meaning of the federal securities laws. Such statements are based on currently available information, expectations, estimates, assumptions and projections, and management's judgment about the power utility industry and general economic conditions. Such words as expects, intends, plans, believes, estimates, anticipates or variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not guarantees of future performance. Actual results may vary materially from what is contained in a forward-looking statement. Factors which may cause a result different from those expected or anticipated include, among other things, new legislation, increases in suppliers' prices, particularly prices for fuel in connection with the operation of the Electric System, changes in environmental compliance requirements, acquisitions, changes in customer power use patterns, natural disasters and the impact of weather on operating results. The District assumes no obligation to provide public updates of forward-looking statements.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as they apply to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

SUMMARY STATEMENT

THIS SUMMARY STATEMENT IS SUBJECT IN ALL RESPECTS TO THE MORE COMPLETE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND SHOULD NOT BE CONSIDERED A COMPLETE STATEMENT OF THE FACTS MATERIAL TO MAKING AN INVESTMENT DECISION. THE OFFERING OF THE 2015 SERIES A BONDS TO POTENTIAL INVESTORS IS MADE ONLY BY MEANS OF THE ENTIRE OFFICIAL STATEMENT. CERTAIN TERMS USED HEREIN ARE DEFINED IN THIS OFFICIAL STATEMENT.

District:

The Salt River Project Agricultural Improvement and Power District (the "District") is an agricultural improvement district, organized under the laws of the State of Arizona, which provides electric service in a 2,900 square-mile service territory in parts of Maricopa, Gila and Pinal Counties in Arizona, plus mine loads in an adjacent 2,400 square-mile area in Gila and Pinal Counties.

The 2015 Series A Bonds:

The 2015 Series A Bonds are being offered in the principal amount per maturity and bearing interest at the rates set forth on the inside cover page of this Official Statement. The 2015 Series A Bonds are authorized pursuant to the Constitution and laws of the State of Arizona and in particular Title 48, Chapter 17, Article 7, Arizona Revised Statutes (the "Act") and the Resolution.

Purpose of the 2015 Series A Bonds:

The 2015 Series A Bonds are being issued to refund certain outstanding Revenue Bonds of the District, to purchase certain outstanding Revenue Bonds of the District directly from the holder thereof and to finance capital improvements to the Electric System pursuant to the District's Capital Improvement Program. See "THE CAPITAL IMPROVEMENT PROGRAM" herein. The proceeds of the 2015 Series A Bonds also will be used to pay costs of issuing the 2015 Series A Bonds. See "PLAN OF FINANCE" and "SOURCES AND USES OF PROCEEDS" herein.

Security for the 2015 Series A Bonds:

The District has covenanted in the Resolution not to issue any bonds or other obligations or create any additional indebtedness, which will have priority over the charge and lien on the Revenues pledged to the Revenue Bonds, except for United States Government Loans hereafter incurred. The District currently has no United States Government Loans outstanding.

The District has covenanted in the Resolution to maintain the Debt Reserve Account at the Debt Reserve Requirement. At April 30, 2015 the balance in the Debt Reserve Account was approximately $81 million, which exceeded the Debt Reserve Requirement. Upon the issuance of the 2015 Series A Bonds, the Debt Reserve Account will continue to exceed the Debt Reserve Requirement.

The District has covenanted in the Resolution that, among other things, it will at all times maintain rates, fees or charges sufficient for the payment of Operating Expenses of the District and the payment of Debt Service on all Revenue Bonds.

The financial statements of the District and the Salt River Valley Water Users' Association (the "Association") (together "SRP") are presented on a combined basis due to the relationship between the two. The District's revenues support the operations of the water and irrigation system. See "THE DISTRICT — General" and "— History" for a further discussion of the relationship between the District and the Association.

	The 2015 Series A Bonds do not constitute general obligations of the District or obligations of the State of Arizona, and no holder of any of the 2015 Series A Bonds has the right to compel the exercise of the taxing powers of the District to pay the 2015 Series A Bonds or the interest thereon. See "SECURITY FOR 2015 SERIES A BONDS" herein.
Outstanding Indebtedness:	As of May 4, 2015, the District had a total of $3,988,260,000 in outstanding debt, computed without deducting/adding the unamortized bond discount/premium, consisting of $3,763,260,000 in Revenue Bonds and general fund debt of $225,000,000, consisting of $50,000,000 in promissory notes sold in the tax-exempt commercial paper market and $175,000,000 in promissory notes sold in the taxable commercial paper market. The promissory notes are payable from the District's general funds and do not have a lien on Revenues of the Electric System. See "SELECTED OPERATIONAL AND FINANCIAL DATA — Additional Financial Matters" herein.
Limitation on Additional Indebtedness:	The District is authorized to issue parity Revenue Bonds upon compliance with the provisions of the Resolution. See "Appendix B — Summary of the Resolution" attached hereto. The District may also issue at any time, or from time to time, evidences of indebtedness, which are payable out of Revenues and which may be secured by a pledge of Revenues, provided, however, that such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge of the Revenues created by the Resolution.
Authority to Set Electric Prices:	Under Arizona law, the District is authorized to set electric rates ("prices"). Although the Articles of Incorporation of the Association provide that the Secretary of the Interior may revise such prices, the Secretary of the Interior has never requested any such revision. See "ELECTRIC PRICES" herein.
Service Area:	The District's service area includes the major populated sections of Maricopa County, as well as portions of Pinal and Gila Counties. The District serves approximately 54% of the population living in the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area (the "Phoenix-Mesa-Scottsdale MSA") and reached a peak load of approximately 7,614 MW in fiscal year 2014. Approximately 46.9% of fiscal year 2014 retail electric revenues were received from residential customers.
Transmission and Distribution Facilities:	The District owns transmission and distribution systems in order to deliver electricity. These systems include both overhead and underground lines with voltage levels ranging from 12kV to 500kV. In addition, the District also has acquired rights on transmission systems owned by others. See "THE ELECTRIC SYSTEM — Existing and Future Resources" herein.
Power Supply Resources:	The District's power supply resources are diversified and include generating facilities owned solely by the District, generating facilities in which the District has an ownership interest, and various power purchase contracts. See "THE ELECTRIC SYSTEM — Existing and Future Resources" herein.

Retail Competition:	In 2000, the District opened its entire service area to competition in the areas of generation, billing, metering and meter reading by electricity suppliers who had been approved by the Arizona Corporation Commission ("ACC"). There has been no material adverse effect on the District as a result of such actions and there is no active retail competition within the District's service territory at this time. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Competition in Arizona — *The Arizona Corporation Commission*" herein.
Continuing Disclosure:	The District has covenanted in the Resolution to provide certain financial information and operating data relating to the Electric System and to provide notices of certain occurrences of certain enumerated events, if material, pursuant to the Continuing Disclosure Agreement. See "CONTINUING DISCLOSURE" herein and "Appendix D — Form of Continuing Disclosure Agreement" attached hereto.

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SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, ARIZONA

OFFICIAL STATEMENT

RELATING TO

$924,490,000

SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2015 SERIES A

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish certain information with respect to the Salt River Project Agricultural Improvement and Power District (the "District") and its Salt River Project Electric System Revenue Bonds, 2015 Series A to be issued by the District. The mailing address of the District's administrative offices is The Office of the Secretary, PAB215, Post Office Box 52025, Phoenix, Arizona 85072-2025 (telephone number 602-236-5900).

The following material is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement and the Appendices hereto. Capitalized terms not defined in this introduction have the meaning ascribed thereto herein.

Authorization

Revenue Bonds, which include the 2015 Series A Bonds, are authorized pursuant to the Constitution and laws of the State of Arizona and, in particular, the Act and the Amended and Restated Resolution Concerning Revenue Bonds, dated as of September 10, 2001, which became effective January 11, 2003, as amended and supplemented (the "Resolution"). Prior to the delivery of the 2015 Series A Bonds, the District's Board will have authorized the issuance of the 2015 Series A Bonds and the District's Council will have ratified and confirmed the District's action. See "THE 2015 Series A BONDS" herein and "Appendix B — Summary of the Resolution" attached hereto.

The purchasers of the 2015 Series A Bonds, by virtue of their purchase of the 2015 Series A Bonds, will consent to certain amendments to the Resolution. See "SECURITY FOR 2015 SERIES A BONDS — Consent to Amendments to Resolution."

PLAN OF FINANCE

The District will issue the 2015 Series A Bonds to refund or purchase certain of the District's outstanding Revenue Bonds listed in Appendix F (collectively the "Refunded Bonds") and to finance capital improvements to the Electric System pursuant to the District's Capital Improvement Program. See "THE CAPITAL IMPROVEMENT PROGRAM" herein. The Refunded Bonds will be redeemed or paid and cancelled, as applicable, on the dates and at the prices, as shown in Appendix F attached hereto. Proceeds of the 2015 Series A Bonds also will be used to pay costs of issuing the 2015 Series A Bonds. The 2015 Series A Bonds will be issued under the Resolution. See "Appendix B — Summary of the Resolution" attached hereto. See "SOURCES AND USES OF PROCEEDS" herein.

THE 2015 SERIES A BONDS

General

The 2015 Series A Bonds will be issued in the principal amount of $924,490,000 and will be dated and bear interest from the date of delivery. The 2015 Series A Bonds will mature on the dates and in the principal amounts, and bear interest, payable on December 1 and June 1 of each year, commencing December 1, 2015, at the respective rates, as shown on the inside cover page of this Official Statement. The principal of, redemption price, if any, and interest on the 2015 Series A Bonds are payable by the Trustee, and interest thereon will be payable by check mailed by the Trustee to the registered owner of each 2015 Series A Bond as of the immediately preceding November 15 or May 15.

Book-Entry-Only System

The 2015 Series A Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the 2015 Series A Bonds. Individual purchases of interests in the 2015 Series A Bonds will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Purchasers of such interests will not receive certificates representing their interests in the 2015 Series A Bonds. So long as Cede & Co. is the registered owner of the 2015 Series A Bonds, the Trustee will make payments of principal and redemption price, if any, of and interest on the 2015 Series A Bonds directly to DTC, which will remit such principal, redemption price, if any, of and interest to the Beneficial Owners (as hereinafter defined in "Appendix D — Form of Continuing Disclosure Agreement") of the 2015 Series A Bonds, as described herein. See "Appendix E — Book-Entry-Only System" attached hereto.

Redemption

2015 Series A Bonds

Mandatory Sinking Fund Redemption — 2015 Series A Bonds. The 3.000% 2015 Series A Bonds maturing on December 1, 2034 and bearing CUSIP number 79574CAW3[†] are subject to mandatory redemption prior to maturity, upon random selection within a maturity by the Trustee, by operation of the Debt Service Fund to satisfy the Sinking Fund Installments required by the Series Resolution, on and after December 1, 2032 at 100% of the principal amount of such 2015 Series A Bonds to be redeemed together with accrued interest up to, but not including, the redemption date. Such Sinking Fund Installments will be sufficient to redeem such 2015 Series A Bonds on the dates and in the principal amounts shown below.

Sinking Fund Payment Date (December 1)	Principal Amount
2032	$26,230,000
2033	$17,610,000
2034	$39,285,000**

** Payment at Maturity

[†] CUSIP Numbers are provided for convenience of reference only. The District assumes no responsibility for the accuracy of such numbers.

The 3.000% 2015 Series A Bonds maturing on December 1, 2036 and bearing CUSIP number 79574CAX1* are subject to mandatory redemption prior to maturity, upon random selection within a maturity by the Trustee, by operation of the Debt Service Fund to satisfy the Sinking Fund Installments required by the Series Resolution, on and after December 1, 2032 at 100% of the principal amount of such 2015 Series A Bonds to be redeemed together with accrued interest up to, but not including, the redemption date. Such Sinking Fund Installments will be sufficient to redeem such 2015 Series A Bonds on the dates and in the principal amounts shown below.

Sinking Fund Payment Date (December 1)	**Principal Amount**
2032	$ 5,510,000
2033	$ 5,830,000
2034	$ 6,165,000
2035	$34,705,000
2036	$36,700,000**

** Payment at Maturity

The 5.000% 2015 Series A Bonds maturing on December 1, 2045 are subject to mandatory redemption prior to maturity, upon random selection within a maturity by the Trustee, by operation of the Debt Service Fund to satisfy the Sinking Fund Installments required by the Series Resolution, on and after December 1, 2042 at 100% of the principal amount of such 2015 Series A Bonds to be redeemed together with accrued interest up to, but not including, the redemption date. Such Sinking Fund Installments will be sufficient to redeem such 2015 Series A Bonds on the dates and in the principal amounts shown below.

Sinking Fund Payment Date (December 1)	**Principal Amount**
2042	$ 34,980,000
2043	$ 76,385,000
2044	$ 24,685,000
2045	$103,655,000**

** Payment at Maturity

The District may satisfy the Sinking Fund Installments by delivering to the Trustee 2015 Series A Bonds of such maturities purchased by the District. In addition, the District may specify the Sinking Fund Installments to be credited if there is any redemption or purchase of 2015 Series A Bonds for which sinking fund installments have been established other than with amounts on deposit in the Debt Service Account.

Optional Redemption. The 2015 Series A Bonds maturing on or after December 1, 2026 (except for the 2015 Series A Term Bonds maturing on December 1, 2034 and bearing CUSIP number 79574CAW3* and on December 1, 2036 and bearing CUSIP number 79574CAX1*) are subject to redemption at the option of the District prior to maturity, at any time on or after June 1, 2025, as a whole or in part by random selection by the Trustee within a maturity with the same interest rate from maturities selected by the District, at the Redemption Price of 100% of the principal amount of the 2015 Series A Bonds or portions thereof to be redeemed, together with accrued interest up to but not including the redemption date.

The 2015 Series A Term Bonds maturing December 1, 2034 and bearing CUSIP number 79574CAW3* and on December 1, 2036 and bearing CUSIP number 79574CAX1* are subject to redemption at the option of the District

* CUSIP Numbers are provided for convenience of reference only. The District assumes no responsibility for the accuracy of such numbers.

prior to maturity, at any time on or after December 1, 2024, as a whole or in part by random selection by the Trustee within a maturity with the same interest rate from maturities selected by the District, at the Redemption Price of 100% of the principal amount of the 2015 Series A Bonds or portions thereof to be redeemed, together with accrued interest up to but not including the redemption date.

For so long as book-entry-only system of registration is in effect with respect to the 2015 Series A Bonds, if less than all of the 2015 Series A Bonds of a particular maturity (and, if applicable, interest rate within a maturity) is to be redeemed, the particular Beneficial Owner(s) (as defined in Appendix E hereto) to receive payment of the redemption price with respect to beneficial ownership interests in such 2015 Series A Bonds shall be selected by DTC and the Direct Participants and/or the Indirect Participants (as defined in Appendix E hereto). See "Book-Entry-Only System" in Appendix E hereto.

Notice of Redemption. Notice of redemption will be given to the Bondholders by mail to the registered owners as of the date of the notice of the 2015 Series A Bonds to be redeemed, postage prepaid, not less than 25 days nor more than 50 days prior to the redemption date. Notice having been given in the manner provided in the Resolution, on the redemption dates so designated, the District's 2015 Series A Bonds or portions thereof so called for redemption shall become due and payable on such redemption date at the redemption price, plus interest accrued and unpaid to, but not including, the redemption date.

Any notice of optional redemption given pursuant to the Resolution may state that it is conditional upon receipt by the Trustee of monies sufficient to pay the redemption price of the 2015 Series A Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to the registered owners of any 2015 Series A Bonds so affected as promptly as practicable upon the failure of such condition or the occurrence of such event. Failure to give notice of redemption by mail, or any defect in such notice, will not affect the validity of the proceedings for the redemption of any other Electric System Revenue Bonds.

Registration and Transfer upon Discontinuation of Book-Entry-Only System

U.S. Bank National Association will act as bond registrar ("Bond Registrar") and transfer and paying agent for the 2015 Series A Bonds. If the book-entry-only system were discontinued, the following provisions would apply. A 2015 Series A Bond may be transferred on the bond register maintained by the Bond Registrar upon surrender of the 2015 Series A Bond at the principal corporate trust office of the Bond Registrar, accompanied by a written instrument of transfer, in form satisfactory to the Bond Registrar, signed by the registered owner or a duly authorized attorney for the registered owner. Upon surrender for transfer at the principal corporate trust office of the Bond Registrar, any 2015 Series A Bond may be exchanged for like 2015 Series A Bonds of the same aggregate principal amount, maturity date and interest rate, of any authorized denomination. The Bond Registrar will not be obligated to transfer or exchange any 2015 Series A Bonds during the 15 days preceding the date on which notice of redemption of a 2015 Series A Bond is to be mailed or any 2015 Series A Bond that has been called for redemption except the unredeemed portion of any 2015 Series A Bond being redeemed in part.

SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the 2015 Series A Bonds are as follows:

Sources of Funds	
Principal Amount of 2015 Series A Bonds	$ 924,490,000.00
Original Issue Premium	79,097,681.25
Total Sources of Funds	$ 1,003,587,681.25
Uses of Funds	
Deposit to Escrow Fund	$ 503,381,046.57
Deposit to Debt Service Fund to Pay Purchased Bonds	162,944,630.89
Deposit to Construction Fund	$ 335,835,845.91
Cost of Issuance (including Underwriters' Discount)	1,426,157.88
Total Uses of Funds	$ 1,003,587,681.25

SECURITY FOR 2015 SERIES A BONDS

General

The Revenue Bonds, including the 2015 Series A Bonds, are payable from and secured by a pledge of and lien on Revenues. Revenues are defined in the Resolution as (i) all revenues, income, rents and receipts derived by the District from the ownership and operation of the Electric System and the proceeds of any insurance covering business interruption loss relating to the Electric System and (ii) interest received on any moneys or securities (other than in the Construction Fund) held pursuant to the Resolution and paid into the Revenue Fund, but not including any such income or receipts attributable directly or indirectly to the ownership or operation of any Separately Financed Project and not including any federal or state grant monies the receipt of which is conditioned upon their expenditure for a particular purpose.

In addition, the Revenue Bonds, including the 2015 Series A Bonds, are also secured by all funds held under the Resolution. Such pledge created by the Resolution is subject only to the provisions of the Resolution permitting the application of Revenues for the purposes and upon the terms and conditions set forth in the Resolution.

The 2015 Series A Bonds will not constitute general obligations of the District or obligations of the State of Arizona, and no holder of Revenue Bonds, including the 2015 Series A Bonds, will ever have the right to compel any exercise of the taxing powers of the District to pay the Revenue Bonds or the interest thereon.

SRP's financial statements are presented on a combined basis. Management believes the financial information presented is not materially different from the presentation of the District on a stand-alone basis.

Consent to Amendments to Resolution

The purchasers of the 2015 Series A Bonds, by virtue of their purchase of the 2015 Series A Bonds, will consent to certain amendments to the Resolution (the "Proposed Amendments"). Such amendments are described in ***bold italic*** font herein under "SECURITY FOR 2015 SERIES A BONDS — Debt Reserve Account," "— Rate Covenant" and "— Limitations on Additional Indebtedness" and in "APPENDIX B — Summary of the Resolution." The Proposed Amendments will become effective when the written consents of the Holders of at least two-thirds of the Bonds Outstanding have been filed with the Trustee as provided in the Resolution. Immediately prior to the issuance of the 2015 Series A Bonds, there will be outstanding $3,667,215,000 of Revenue Bonds of which $1,315,435,000 will have consented to the Proposed Amendments.

Debt Reserve Account

The Debt Reserve Account is a reserve fund for the equal benefit of all Revenue Bonds Outstanding under the Resolution. Monies in the Debt Reserve Account (except any excess over the Debt Reserve Requirement that the District may allocate and apply in the same manner as Revenues) will be used solely for the purpose of curing any deficiency in the Debt Service Fund for the payment of principal, interest or Sinking Fund Installments pursuant to the Resolution.

In the past, the District has followed the practice of depositing moneys into the Debt Reserve Account at the time of issuance of additional Revenue Bonds to equal the Debt Reserve Requirement. As of April 30, 2015, the balance in the Debt Reserve Account was approximately $81 million, which exceeded the Debt Reserve Requirement. Upon issuance of the 2015 Series A Bonds, the account will continue to exceed the Debt Reserve Requirement.

For purposes of calculating the Debt Reserve Requirement specified in this section, any calculation of interest on all Outstanding Bonds for any period of time shall be reduced by the amount of any Federal Subsidy that the District receives or expects to receive during such period of time relating to or in connection with such Outstanding Bonds.

Rate Covenant

The District covenants in the Resolution that it will charge and collect rates, fees and other charges for the sale of electric power and energy and other services, facilities and commodities of the Electric System as shall be required to provide revenues and income (including investment income) at least sufficient in each fiscal year for the payment

of the sum of (i) Operating Expenses during such fiscal year, including reserves, if any, provided therefor in the Annual Budget for such year; (ii) an amount equal to the Aggregate Debt Service for such fiscal year; (iii) the amount, if any, to be paid during such fiscal year into the Debt Reserve Account in the Debt Service Fund; and (iv) all other charges or liens whatsoever payable out of revenues and income during such fiscal year and, to the extent not otherwise provided for, all amounts payable on Subordinated Indebtedness. See "ELECTRIC PRICES" herein.

For purposes of the calculations specified in this section: (i) any calculation of Debt Service on Outstanding Bonds for any period of time shall be reduced by the amount of any Federal Subsidy that the District receives or expects to receive during such period of time relating to or in connection with such Outstanding Bonds; and (ii) to the extent the calculation of Debt Service on Outstanding Bonds is reduced by the Federal Subsidy as provided in clause (i) of this paragraph, any calculation of Revenues for any period of time shall be reduced by the amount of any Federal Subsidy received or expected to be received by the District with respect to or in connection with such Outstanding Bonds during such period of time.

Limitations on Additional Indebtedness

The District has covenanted in the Resolution not to issue any bonds or other obligations or create any additional indebtedness, which would have priority over the charge and lien on the Revenues pledged to the Revenue Bonds except for U.S. Government Loans hereafter incurred. The Resolution does not restrict the amount of U.S. Government Loans the District may incur, which would have a prior lien on Revenues. There are no outstanding U.S. Government Loans.

The District may issue additional parity Revenue Bonds in compliance with the Resolution if, among other things, (i) Revenues Available for Debt Service, as the same may be adjusted, of any 12 consecutive calendar months out of the 24 calendar months next preceding the issuance of such additional Revenue Bonds are not less than 1.10 times the maximum total Debt Service for any succeeding fiscal year on all Revenue Bonds that will be outstanding immediately prior to the issuance of the additional Revenue Bonds, and (ii) estimated Revenues Available for Debt Service, as the same may be adjusted, for each of the five fiscal years immediately following the issuance of such additional Revenue Bonds are not less than 1.10 times the total Debt Service for each such respective fiscal year on all Revenue Bonds outstanding immediately subsequent to the issuance of such additional Revenue Bonds.

For purposes of the calculations specified in this section: (i) any calculation of Debt Service on Outstanding Bonds for any period of time shall be reduced by the amount of any Federal Subsidy that the District receives or expects to receive during such period of time relating to or in connection with such Outstanding Bonds; and (ii) to the extent the calculation of Debt Service on Outstanding Bonds is reduced by the Federal Subsidy as provided in clause (i) of this paragraph, any calculation of Revenues for any period of time shall be reduced by the amount of any Federal Subsidy received or expected to be received by the District with respect to or in connection with such Outstanding Bonds during such period of time.

Subordinated Indebtedness

The District may, at any time, or from time to time, issue evidences of indebtedness which are payable out of Revenues and which may be secured by a pledge of Revenues provided; however, that such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge of the Revenues, monies, securities and funds created by the Resolution. See "Appendix B — Summary of the Resolution" attached hereto.

Other Covenants

In addition to the rate covenant described above, the Resolution includes covenants by the District with respect to the sale and/or lease of the Electric System, the operation and maintenance of the Electric System, and certain other matters. See "Appendix B — Summary of the Resolution" attached hereto.

THE DISTRICT

General

The District is an agricultural improvement district organized in 1937 under the laws of the State of Arizona. It operates the Salt River Project (the "Project"), a federal reclamation project, under contracts with the Salt River Valley Water Users' Association (the "Association"), by which it assumed the obligations and assets of the Association, including its obligations to the United States of America for the care, operation and maintenance of the Project. The District owns and operates an electric system (hereinafter described) that generates, purchases, transmits and distributes electric power and energy, and provides electric service to residential, commercial, industrial and agricultural power users in a 2,900 square mile service territory in parts of Maricopa, Gila and Pinal Counties, plus mine loads in an adjacent 2,400 square mile area in Gila and Pinal Counties. The Association operates an irrigation system as the District's agent.

History

The Association, predecessor of the District, was incorporated under the laws of the Territory of Arizona in February 1903 to represent the owners and occupants of lands to be benefited by the Project, which was one of the first projects authorized under the Federal Reclamation Act of 1902. In 1904, the Association and the United States entered into a contract in which the United States agreed to construct and operate dams, power plants and other facilities incident to the operation of irrigation and power works and improvements, and the Association agreed to repay the cost thereof. Initially, the United States constructed, operated and maintained Roosevelt Dam and Granite Reef Dam, which diverted impounded water into a canal system to supply irrigation water to the irrigable lands within the Project. In 1917, the Association entered into a contract with the United States to assume the care, operation and maintenance of the Project (the "1917 Agreement").

On January 25, 1937, the District was formed to secure for the Project the rights, privileges and exemptions granted to political subdivisions of the State of Arizona. Pursuant to a contract approved by the Secretary of Interior in 1937 (the "1937 Agreement"), the Association transferred all of its right, title and interest in and to the works and facilities of the Project to the District. The District agreed to assume the debt of the Association and to issue District bonds to finance capital improvements. The Association agreed to continue to operate and maintain the water supply and irrigation system and the Electric System. In 1949, the 1937 Agreement was amended to provide that the District would assume responsibility for the construction, operation and maintenance of the Electric System and the irrigation and water supply system. The District delegated to the Association, as agent of the District, the direct operation and maintenance of the irrigation system of the Project.

The United States retains a paramount right or claim in the Project that arises from the original construction and operation of certain of the Project's electric and water facilities as a federal reclamation project. Although title to a substantial portion of the District's property, including those properties acquired pursuant to the 1917 Agreement, resides in the United States, the District possesses contractual rights to the use, possession and revenues of these properties through its agreement with the Association, the 1917 Agreement, subsequent contractual arrangements with the United States, and applicable federal reclamation law. From time to time, the Department of Interior performs audits of the Project. In addition, the District seeks approval from the Department of Interior for certain transactions such as the issuance of revenue bonds and the payment of in-lieu taxes.

Generation and sale of electrical power and energy represent the major portion of the District's investment and revenues. Following a long-standing reclamation principle, a portion of electric revenues available after the payment of Operating Expenses and Debt Service required under the Resolution is used to provide partial support for water and irrigation operations, thereby keeping water storage, distribution and delivery charges at reasonable levels.

Organization, Management and Employees

The District and the Association are each governed by a Board and a Council. The Boards establish the policies for management and the conduct of the business affairs of the District and the Association. The Councils enact and amend by-laws relating to management and act as a liaison with the landowners. The General Manager and Chief Executive Officer of the District has management responsibilities for both the District and the Association.

The Board of Governors of the Association, elected from among the shareholders (landowners), consists of the President and ten other members, half being elected biennially for four-year terms. The Board of Directors of the District, elected from among the electors (landowners) for four-year terms, consists of the President and fourteen other members, half being elected biennially for four-year terms. The President and Vice President are elected at large by electors of the District. Ten of the District's Board members, the President, and the Vice President are elected by votes weighted in proportion to the amount of land owned by each elector. The remaining four Board members are elected at large, with each elector (landowner) being entitled to one vote.

The Councils for the Association and the District each consist of thirty members. Three Council members from each of the ten district areas of the Association, and three Council members from each of the ten division areas of the District, are elected biennially for four-year terms. One half of each of the Association and the District Councils are elected biennially. All Council members are elected by votes weighted in proportion to the amount of land owned by each shareholder (Association) or elector (District).

As of April 30, 2015, District and Association employees (full-time equivalent) totaled approximately 5,161, including approximately 1,992 hourly employees represented by the International Brotherhood of Electrical Workers, Local 266, but excluding non-regular employees such as temporary employees, provisional employees, students, apprentices, and contractors. The present labor contracts expire on November 15, 2017.

Economic and Customer Growth in the District's Service Area

The District serves approximately 54% of the population living in the Phoenix-Mesa-Scottsdale MSA. As the governmental and economic center of Arizona, the Phoenix-Mesa-Scottsdale MSA possesses the largest percentage of the state's residents, businesses, and income. It contains approximately 66% of the state's population, and more than two-thirds of its total employment and total personal income.

The Phoenix-Mesa-Scottsdale MSA continues to recover slowly from the 2008-2009 recession, which had a significant impact on the local economy. The U.S. Census Bureau reported that the metropolitan area added about 205,000 people from July 2010 through July 2014, a compound annual growth rate of approximately 1.0%.

Employment in the Phoenix-Mesa-Scottsdale MSA increased at a 2.6% average annual growth rate in 2013 and 2014, only slightly less than the pre-recession 10-year compound annual growth rate of 2.8%. Professional and business services and educational and health services combined to add 14,300 positions in 2014, while the manufacturing sector added 1,000 jobs. As the post-recession job recovery continues, the Phoenix-Mesa-Scottsdale MSA is expected to achieve steady long-term growth in the years ahead.

Table 1 summarizes several key economic statistics over recent years.

TABLE 1 — Historical Growth Statistics
(Annual Averages)

Year	State of Arizona Population (thousands)[1]	Phx-Mesa-Scottsdale MSA Population (thousands)[1]	Phx-Mesa-Scottsdale MSA Non-Agricultural Wage & Salary Employment (thousands)[2]	Phx-Mesa-Scottsdale MSA Residential Permits[3]	Phx-Mesa-Scottsdale MSA Personal Income ($ billions)[4]
2008	6,369	4,167	1,871	17,414	154.5
2009	6,389	4,186	1,724	9,471	147.2
2010	6,402	4,200	1,692	8,276	148.8
2011	6,438	4,228	1,717	9,481	158.2
2012	6,499	4,274	1,760	15,470	166.6
2013	6,581	4,339	1,812	17,137	170.4
2014	6,667	4,405	1,853	20,641	NA

[1] Arizona Department of Administration, Office of Employment and Population Statistics; revised March 2015; numbers are estimates as of July 1st each year.
[2] Arizona Department of Administration, Office of Employment and Population Statistics; 2013 and 2014 are preliminary.
[3] U.S. Census Bureau, "Housing Units Authorized by Building Permits"; 2014 preliminary.
[4] U.S. Bureau of Economic Analysis; 2013 preliminary.

In March 2015, the 3.0% year-over-year employment increase in the Phoenix-Mesa-Scottsdale MSA represented a net gain of 55,500 jobs.

The Phoenix-Mesa-Scottsdale MSA's unemployment rate was 4.8% in March 2015. Unemployment rates for the Phoenix-Mesa-Scottsdale MSA, Arizona, and the United States are listed below:

Comparative Unemployment Rates

	March 2015	March 2014	March 2013
Phoenix-Mesa-Scottsdale MSA[1]	4.8%	6.2%	7.0%
Arizona	6.2%	7.0%	8.0%
United States	5.5%	6.6%	7.5%

Source: US Department of Labor, Bureau of Labor Statistics and Arizona Department of Administration, Office of Employment and Population Statistics.
[1] Not seasonally adjusted.

Recent post-recession employment gains have been led by the trade, transportation and utilities; education and health services; and leisure and hospitality sectors. The District expects to see continued weakness in construction and real estate, with gradual improvement in the manufacturing, financial, and business service sectors.

Phoenix-Mesa-Scottsdale MSA Employment
(Thousands)

Year	Natural Resources & Mining	Construction	Manufacturing	Trade, Transportation & Utilities	Information	Financial Activities
2008	3.8	139.3	129.6	383.0	31.1	149.9
2009	3.1	95.9	114.8	353.8	28.9	142.7
2010	3.0	82.4	110.7	345.4	27.4	140.8
2011	3.2	83.0	112.7	349.4	28.4	145.1
2012	3.5	88.0	116.7	353.0	31.1	150.2
2013	3.6	93.4	117.1	356.0	33.2	158.2
2014	3.4	95.6	118.1	365.0	34.8	162.4

Year	Professional & Business Services	Education & Health Services	Leisure & Hospitality	Other Services	Government
2008	308.9	221.0	184.6	73.2	246.0
2009	274.7	228.4	174.4	68.0	239.2
2010	271.0	239.0	173.4	63.8	234.8
2011	277.2	247.4	177.7	63.8	229.2
2012	286.0	255.5	183.3	62.3	230.6
2013	301.9	261.0	191.6	63.7	231.9
2014	308.5	268.7	199.2	64.5	233.0

Source: Arizona Department of Administration, Office of Employment and Population Statistics.

The Phoenix-Mesa-Scottsdale MSA is home to several corporate headquarters including: AVNET, Republic Services Inc., Freeport-McMoRan, Inc., PetSmart, Southern Copper Corp., Insight Enterprises, U-Haul, First Solar, ON Semiconductor, Microchip Technology Inc., and Viad Corp. In addition, JPMorgan Chase, Wells Fargo, Bank of America, American Express, Charles Schwab, American Airlines, State Farm Mutual, Sentry Insurance Co., Southwest Airlines, and Wal-Mart have substantial regional operations in the Phoenix-Mesa-Scottsdale MSA.

Population growth has been the traditional driver for the commercial real estate market. As population increased in the Phoenix-Mesa-Scottsdale MSA, commercial vacancies also trended downward. The retail vacancy rate stood at 9.6% in the fourth quarter of 2014. Although still high from a historical perspective, the office vacancy rate in the metropolitan area has decreased to 21.1% in the fourth quarter of 2014. Industrial real estate activity, as measured by the industrial vacancy rate has remained stable and stood at 11.0% in the fourth quarter of 2014.

The residential real estate market in the Phoenix-Mesa-Scottsdale MSA is a large driver of economic activity. Permits for new homes have steadily increased since 2011 reaching over 20,000 in 2014. Foreclosures accelerated in the region from 2008 through 2010 but trended downward, reaching a bottom in 2014. Home prices accelerated in 2012 and 2013, but growth has slowed in 2014.

See "SELECTED OPERATIONAL AND FINANCIAL DATA — Customers, Sales, Revenues and Expenses" herein.

Irrigation and Water Supply System

An historic and continuing justification of the Project lies in providing a stable and economic water supply. Agriculture in the plains and valleys of south-central Arizona almost wholly depends upon irrigation due to the low annual rainfall.

The Project provides the water supply for an area of approximately 248,200 acres located within major portions of the cities of Phoenix, Avondale, Glendale, Mesa, Tempe, Chandler, Gilbert, Peoria, Scottsdale and Tolleson.

The water supply for the Association's water service area of the Project is primarily runoff from watersheds consisting of 13,000 square miles which is stored in seven reservoirs, four of which are located on the Salt River, two on the Verde River and one on East Clear Creek. The Association also has a well-established and robust aquifer from which it withdraws groundwater to serve its customers in years when surface water is in limited supply. The Association uses the aquifer to recharge or bank water supplies for future use. Over the last 20 years, the Association has stored more than 1.3 million acre feet of water, which is approximately twice the annual water demand. The Association also works closely with other large water supply entities in Arizona, and these partnerships have provided, and should continue to provide, supplemental water for the Project.

The Project's seventh reservoir, the Blue Ridge Reservoir (renamed C. C. Cragin Reservoir) was acquired from Phelps Dodge Corporation (now Freeport-McMoRan, Inc.) in 2005, and ownership of the dam was immediately transferred to the Bureau of Reclamation, thereby making it part of the Project's Reservoir System. Water from this relatively small 15,000 acre-foot capacity reservoir on the East Clear Creek Watershed is pumped to the Mogollon Rim where it then flows by gravity into the Verde River System. SRP intends to use the water rights associated with this reservoir to supplement Project water resources and to resolve several water supply and rights disputes with communities in the Verde River Watershed.

The available water supply is important due to its influence on the economy in the area. Since the construction of the dam and reservoir system, the Project has always had sufficient water supply to meet the demands for urban, industrial and agricultural uses within its boundaries. The District's management believes that under established water rights relating to water use and assuming a continuation of historical precipitation and usage patterns, and responsible operation of the reservoir system, the area within the Project water service boundaries has a dependable and assured water supply.

The Southwest has an arid climate prone to natural variability in surface water supply. The Project's network of seven reservoirs and 268 wells has been developed and is managed to maintain a reliable water supply, even in dry times. For some periods over the past twenty years, the Southwest, including the Project's watershed, has experienced serious drought conditions, but these have been mitigated by contingency management plans resulting in minimal impact to end users. In response to reduced reservoir inflow, the Association has utilized increased groundwater pumping, reductions in water allocations and supplemental water supplies from the Central Arizona Project, which has been available for purchase or exchange.

The true value of the Association's management of water supplies and infrastructure, however, has been demonstrated the past several years as surface water runoff has fluctuated. Due to the severity of drought in 2003 and 2004, the Association reduced the allocation of water to its shareholders and to the valley cities by one-third, only the second time in the Project's long history that allocations have been reduced for consecutive years. In 2005, abundant winter watershed precipitation and runoff refilled reservoirs sufficiently to allow the Association to make full surface water-only deliveries to its shareholders. Winter rain and snow failed to materialize in the winter of 2006 and 2007, suggesting that drought conditions were continuing as anticipated; however, the winters of 2008, 2009, and 2010 provided sufficiently abundant rain and snow which resulted in full surface water storage and deliveries to Association shareholders once again. The winters of 2011 through 2015 again reinforced the fact that drought is always a factor in a desert environment as all five winters produced below median inflow. Even so, deliveries to shareholders have not been curtailed as the Association is able to balance the peaks and valleys of natural water supply conditions through the conjunctive management of the Project's reservoirs and wells, and remains well-positioned to respond to the natural variability of the Southwestern climate.

The Association also operates about 268 wells under a permit issued by the Arizona Department of Environmental Quality ("ADEQ") pursuant to the permit program for the Arizona Pollutant Discharge Elimination System. The permit imposes restrictions on the use of wells having chemical contamination above the permit levels. Numerous wells are subject to such restrictions and can only be run if combined with uncontaminated water from another source.

See "LITIGATION — Water Rights" for a discussion of additional matters relating to irrigation and water supply.

Telecommunication Facilities

The District has installed approximately 73,000 strand-miles of fiber optic cable to support communication activities for its water and electric utility operations. Approximately 60% of the available capacity in this system is surplus to its needs. The District has also acquired, through exchanges with other utilities and telecommunications carriers, other fiber optic capacity and has entered into license agreements with telecommunications carriers, such as CenturyLink, Integra Telecom, AT&T, Level 3 and AboveNet, among others, as well as with certain enterprise customers to market this excess capacity, and received approximately $6.9 million per year in revenue in fiscal year 2014 from this activity.

Additionally, the District makes available certain electric facilities for the purpose of co-locating wireless antenna systems of commercial wireless communications service providers. The District also provides a number of related services to such service providers in conjunction with this activity. The District generated approximately $9.5 million in revenue from this activity during fiscal year 2014.

Papago Park Center

Papago Park Center is a mixed-use commercial development located on land owned by the District adjacent to its administrative offices. The District has entered into a 100-year lease of most portions of the development with Papago Park Center, Inc. ("PPCI"), a wholly-owned, incorporated, and taxable subsidiary of the District. Most of the land in Papago Park Center has been developed, with the exception of a remaining parcel of approximately 59 acres. Lease payments to the District were $1.97 million and $2.14 million in fiscal years 2014 and 2013, respectively.

New West Energy Corporation

In 1997, the District established a wholly-owned, taxable subsidiary, New West Energy Corporation ("New West Energy"), to market, at retail, energy available to the District that was surplus to the needs of its retail customers, and energy that might have been rendered surplus in Arizona by retail competition in the supply of generation. However, as a result of the turmoil in the western energy markets, New West Energy discontinued marketing excess energy in 2001, and is now largely inactive.

THE ELECTRIC SYSTEM

Area Served

The District provides electrical service to major populated sections of Maricopa County, as well as portions of Pinal and Gila Counties. Except the City of Mesa, which operates its own system, all of the cities within the District's service areas are served in part by the District and in part by Arizona Public Service Company ("APS"). By agreement between the District and APS, the urban areas and the adjacent suburban areas now served by the District's distribution system will continue to be so served even though the latter may be annexed to a city in the future. The District also provides power directly for mining load requirements, principally in Pinal and Gila Counties.

See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Competition in Arizona" herein for a discussion of legislation permitting competition in generation service, billing, metering, and meter reading.

Projected Peak Loads and Resources

The District annually estimates its future sales of energy by taking into account customer growth, changes in customer usage patterns and historic, as well as projected, weather data. The resource portfolio is examined to determine the expected sources of power and energy that may be used to supply the estimated system requirements.

The projections in Table 2 represent the District's estimate of the most probable components of system peak loads and resources for fiscal years 2016 through 2021. The projections reflected therein are consistent with industry-wide experience and provide the basis for the District's current year operating budget, May 2015 through April 2016. However, they are based on certain assumptions that, if not realized, may adversely affect such projections. These projections are reassessed annually during the winter, as part of the District's annual budget process. If projections of economic and customer growth were to decline as a result of the current weakness in the

economies of the nation or in the Phoenix-Mesa-Scottsdale MSA, the projections in Table 2 would be revised downward. See "THE DISTRICT — Economic and Customer Growth in the District's Service Area."

The projections shown in Table 2 do not reflect any sales of excess capacity other than sales pursuant to existing agreements. The resources in excess of peak load are expected to be generally gas and oil fired resources, which are the District's most expensive resources to operate.

TABLE 2 — Projected Peak Loads and Resources (MW)
Fiscal Years Ending April 30,

	2016	2017	2018	2019	2020	2021
Annual Peak:(MW)[1][2]						
Service Territory System Requirements[3][4][5]	7,405	7,412	7,514	7,755	8,022	8,295
Sales for Resale	733	105	106	106	94	25
Demand-Side Resources[5]	(690)	(650)	(725)	(798)	(859)	(916)
Total Peak Load[6]	7,448	6,867	6,895	7,063	7,257	7,404
Resources:						
Thermal:						
Gas and/or Oil	3,444	3,444	3,444	3,444	3,444	3,444
Coal[7]	2,205	2,203	2,202	2,198	2,198	2,191
Nuclear	688	688	688	688	688	688
Renewables[8]	276	276	276	276	276	276
Future Peaking/Intermediate Resources	0	0	0	0	0	0
Purchased:						
WAPA/Navajo Surplus[9]	300	300	300	300	300	300
TEP – Tucson Electric Power Company ("TEP")[10]	100	0	0	0	0	0
Tri-State – Tri-State Generation and Transmission Association, Inc. ("Tri-State")[11]	100	100	100	100	100	100
Coolidge Generating Station[12]	512	512	512	512	512	512
Renewable Purchases[13]	240	236	236	236	236	236
Future Renewable Purchases	-	37	66	66	128	208
Other Existing	35	57	35	35	35	35
Future Purchases	438	-	-	187	370	478
Total Resources	8,338	7,853	7,859	8,042	8,287	8,468
Total Resources in Excess of Total Peak Load	890	986	964	979	1,030	1,064
Planned Reserve Percentage[14]	12.1	13.3	12.8	12.6	12.9	13.0

[1] The forecast was approved February, 2014.

[2] Peak normally occurs in the June through September months of the prior calendar year (the beginning months of the fiscal year).

[3] Arizona law requires the District to meet all distribution area loads under 100,000 kWh, even if some retail customers elect to be served by others.

[4] Projected peak demand for electricity for retail customers does not take into account the impact of demand-side resources that would reduce demand.

[5] Demand-side resources are programs or price plans which incent behavior that results in a reduction of the expected peak demand for electricity of retail customers. Also includes the projected reduction of peak demand due to federal efficiency codes and standards for lighting and HVAC equipment, as well as customer-owned distributed generation that is already installed.

[6] Projected peak load for retail customers reduced by the impact of demand-side resources and increased by firm wholesale obligations (sales for resale).

[7] A slight decline in coal capacity is representative of impacts from environmental emissions control equipment.

[8] Renewables include owned hydro-electric generation, among other resources.

[9] Navajo Surplus is electrical capacity and energy made available to the District from the entitlement in Navajo Generating Station that the United States Bureau of Reclamation holds for the purpose of supplying the power requirements of the Central Arizona Project when such amount is surplus. A long-term 20 year contract for 300 MW was entered into with WAPA, acting on behalf of the USBR, in 2011.

[10] An agreement is in place with TEP to extend the 100 MW long-term contract to May 31, 2016. The 100 MW contract extension is included in the forecast shown.

[11] The District has a 30-year agreement with Tri-State to purchase 100 MW of capacity from Springerville Unit 3. Commercial operation of Unit 3 began on September 1, 2006.

[12] The District has a 20-year agreement with Coolidge Power LLC to purchase approximately 551 MW of nominal capacity from the Coolidge Generating Station. Commercial operation began May 1, 2011. The District has an option for a 10-year extension of the agreement

[13] Renewable purchases include SRP's federal hydro-power.

[14] Cannot be derived solely from the information set forth in Table 2.

Reserve Targets

The District plans the addition of new generation based on a 12% reserve target. Because of the restructuring of the electric utility industry and the significant financial exposure associated with carrying excess reserves, the District has decided that a 12% reserve target represents an optimal planning target that balances both economics and reliability.

Existing and Future Resources

The District has various resources available to it to provide electricity in its service area. The resources include the generating facilities owned solely by the District, generating facilities in which the District has an ownership interest, and the District's ability to enter into agreements with others to purchase power.

Economic Viability of Existing Generation Assets. The existing generation assets have been, and will continue to be, an integral part of the District's long-term resource plans. These generating stations historically have achieved high availability and low forced outage rates as compared to industry averages. This performance can largely be attributed to prudent operational and maintenance practices. Sustaining and improving this performance will be achieved by continuing a focused effort on preventive, predictive and corrective maintenance activities. By combining these practices with the ongoing application of engineering and technology improvements the District will ensure that the future economic and operational value of existing assets is maintained.

Summary of Existing Power Sources during the fiscal year ended April 30, 2014. The District's largest source of energy during the fiscal year ended April 30, 2014 was thermal generating facilities, which supplied approximately 79.7% of the District's total production. Hydroelectric generation provided approximately 2.3% of production with 1.0% coming from the District's own hydroelectric plants and 1.5% coming from purchases from the Arizona Power Authority ("APA") and the United States Department of Energy, Western Area Power Administration ("WAPA"). The remaining 17.9% came from various other purchases and renewable resources. Table 3 provides more detail on District power sources.

TABLE 3 — Fiscal Year 2014 District Power Sources

	Capability (MW)[1]	% of Total	Net Production Amount (MWh)[2]	% of Total
District Generation:				
One Hundred Percent Entitlement – Renewable Hydroelectric:				
Roosevelt Dam	36	0.43%	43,318	0.13%
Mormon Flat Dam – Run of River	10	0.12%	23,718	0.07%
Horse Mesa Dam – Run of River	30	0.36%	50,242	0.15%
Stewart Mountain Dam	13	0.16%	19,659	0.06%
Canal Plant (Crosscut)	3	0.04%	137	0.00%
Canal Plant (South Consolidated)	1	0.01%	95	0.00%
Arizona Falls	1	0.01%	1,554	0.00%
Subtotal Renewable Hydroelectric	**94**	**1.13%**	**138,723**	**0.40%**
Mormon Flat Dam Pumped Storage	57	0.69%	56,280	0.16%
Horse Mesa Dam Pumped Storage	119	1.44%	93,329	0.27%
Subtotal Pumped Storage Hydroelectric	**176**	**2.12%**	**149,609**	**0.43%**
One Hundred Percent Entitlement – Thermal				
Kyrene (Steam)	0	0.00%	(522)	0.00%
Kyrene (Gas Turbine)	165	1.99%	(919)	0.00%
Kyrene (Combined Cycle)	254	3.06%	568,604	1.64%
Agua Fria (Steam)	407	4.91%	70,500	0.20%
Agua Fria (Gas Turbine)	219	2.64%	4,040	0.01%
Santan (Combined Cycle)	1,227	14.80%	2,693,600	7.78%
Desert Basin (Combined Cycle)	577	6.96%	880,324	2.54%
Coolidge (Gas Turbine)	528	6.37%	196,799	0.57%
Coronado Generating Station	765	9.23%	5,393,195	15.57%
Springerville Unit 4	417	5.03%	3,007,082	8.68%
Mesquite Unit 1 (Combined Cycle)	595	7.18%	1,787,246	5.16%
Subtotal	**5,154**	**62.17%**	**14,599,949**	**42.14%**
One Hundred Percent Entitlement – Renewable				
Solar	1	0.01%	1,617	0.00%
Fuel Cells	0[3]	0.00%	0	0.00%
Alternative Fuels – Tri-cities Landfill	4	0.05%	24,816	0.07%
Subtotal Other	**5**	**0.06%**	**26,433**	**0.08%**
Participation Plants				
Navajo Generating Station	489	5.90%	3,944,259	11.39%
Four Corners Generating Station Units 4 &5	154	1.86%	912,222	2.63%
Hayden Generating Station	131	1.58%	935,415	2.70%
Craig Generating Station	250	3.02%	1,657,381	4.78%
Palo Verde Nuclear Generating Station	688	8.30%	5,548,610	16.02%
Subtotal	**1,712**	**20.65%**	**12,997,887**	**37.52%**
Purchases and Receipts[4]:				
Federal Hydropower – Renewable				
APA – Arizona Power Authority	191[4]	2.30%	109,111	0.31%
WAPA – Colorado River Storage Project	75[4]	0.90%	270,328	0.78%
WAPA – Parker-Davis Dams	32[5]	0.39%	144,159	0.42%
TEP – Tucson Electric Power Company	100	1.21%	491,200	1.42%
TSGT – Tri-State Generation & Transmission	100	1.21%	631,915	1.82%
Renewable – SWMP – Snowflake White Mountain Power (Biomass)[8]	10	0.12%	78,941	0.23%
Renewables – Wind Power Dry Lake I (63 MW)	16[6]	0.19%	108,249	0.31%
Renewables – Wind Power Dry Lake II (64 MW)	10[6]	0.12%	112,561	0.32%
Renewables – Other Wind Power	50	0.60%	61,600	0.10%
Renewables – Copper Crossing Solar (20 MW)	16[6]	0.19%	53,163	0.15%
Renewables – Cove Fort Geothermal	20[9]	0.24%	72,197	0.21%
Renewables – Hudson Ranch Geothermal	50	0.60%	231,892	0.67%
Hudson Ranch Geothermal (Resold to IID)	(50)	(0.60%)	186,761	0.54%
Others	529	6.38%	4,178,469[7]	12.06%
Subtotal	**1,149**	**13.86%**	**6,730,546**	**19.43%**
TOTAL[8]	**8,290**	**100.00%**	**34,643,147**	**100.00%**

[1] Load capability during summer system peak. Winter capability may be greater.

[2] Actual net production during the fiscal year ended April 30, 2014. Energy from pumped storage is included.

[3] Purchase and receipt capabilities vary month to month. Listed are the capabilities for the peak month.

[4] Includes MW wheeled for certain electrical/irrigation districts.

[5] Includes 1 MW wheeled for the City of Gilbert.

[6] Capability for Dry Lake Wind, Cove Fort Geothermal and Copper Crossing Solar based on actual output during peak hour.

[7] The electric industry engages in an activity called "book-out" under which some energy purchases are netted against sales, and power does not actually flow in settlement of the contract. The District presents the impacts of these financially settled contracts on a net basis. Short term purchases excluding 0 MW and 1,483,242 MWh of book-outs.

[8] Totals may not add correctly due to rounding.

[9] Cove Fort started January 2014.

Desert Basin Generating Station. The District had a ten-year Power Purchase Agreement ("DBPPA") that commenced on or about November 2001 with Reliant Energy Desert Basin, LLC ("Reliant") for the purchase of 577 MW of capacity produced at the Desert Basin Generating Station ("Desert Basin") located in central Arizona. In 2003, the District acquired Desert Basin and transferred title to Desert Basin Independent Trust ("DBIT"), a Delaware statutory trust, pursuant to a Lease Purchase Agreement (the "Lease Purchase Agreement") to provide a portion of the permanent financing for Desert Basin. In a concurrent transaction, DBIT issued $282,680,000 aggregate principal amount of Certificates of Participation ("Certificates") evidencing direct undivided interests in rental payments made by the District pursuant to the Lease Purchase Agreement. A portion of the proceeds from the sale of the Certificates was used to satisfy the bridge loan used to acquire Desert Basin. The acquisition of Desert Basin resulted in the cancellation of the DBPPA and the District operates Desert Basin consistent with its other thermal resources. In December 2013, the District redeemed the outstanding Certificates and title to Desert Basin is being transferred to the District. See "SELECTED OPERATIONAL AND FINANCIAL DATA — Additional Financial Matters" for further discussion of the financing of Desert Basin.

Santan Generating Station. In 2001, the ACC approved a certificate of environmental compatibility ("CEC") for a proposed expansion of the District's Santan Generating Station in the Town of Gilbert. The first of the two additional units was placed into commercial operation on April 1, 2005, and the second unit became operational on March 1, 2006. The total combined capability of these units is a nominal 825 MW.

Jointly-Owned Generation Facilities. The District has an ownership interest in six jointly-owned generating facilities, excluding the Mohave Generating Station, which is being decommissioned and no longer produces generation. The percent participation of the District and the other participants in the producing facilities is set forth in Table 4. Additional information about each facility follows Table 4. See "THE ELECTRIC SYSTEM — Existing and Future Resources — *Mohave Generating Station"* for a discussion of the status of the Mohave Generating Station.

TABLE 4 — District Participation Interests in Existing Generating Facilities[1]

	Navajo Generating Station	Four Corners Generating Station Units 4 & 5	Hayden Generating Station Unit 2	Craig Generating Station Units 1 & 2	Palo Verde Nuclear Generating Station
Project Capabilities					
Total Continuous Load Capabilities (MW)	2,250	1,570[2]	262	856	3,937[3]
Project Participants					
District	21.7[4]	10.0	50.0	29.0	17.5
APS	14.0	63.0	—	—	29.1
Department of Water & Power, Los Angeles ("LADWP")	21.2[4]	—	—	—	5.7
El Paso Electric Company ("El Paso")	—	7.0	—	—	15.8
Nevada Power Company ("NPC")	11.3	—	—	—	—
Platte River Power Authority	—	—	—	18.0	—
PacifiCorp	—	—	12.6	19.3	—
Public Service Company of Colorado ("PSCo")	—	—	37.4	9.7	—
Public Service Company of New Mexico ("PNM")	—	13.0	—	—	10.2
Southern California Edison Company ("SCE")	—	—	—	—	15.8
Southern California Public Power Authority ("SCPPA")	—	—	—	—	5.9
Tri-State	—	—	—	24.0	—
TEP	7.5	7.0	—	—	—
U.S. Bureau of Reclamation ("USBR")	24.3[5]	—	—	—	—
Total Percentage	100.0%	100.0%	100.0%	100.0%	100.0%

[1] Generally, if a default by any participant in the payment or performance of an obligation under a participation agreement continues without having been cured or without the participant having commenced and continued to cure the default, then the non-defaulting participants may suspend the right of the defaulting participant to receive its capacity entitlement. In case of default, (1) each non-defaulting participant will bear a portion of the operation and maintenance costs otherwise payable by the defaulting participant in the ratio of the non-defaulting participant's respective capacity entitlement to the total capacity entitlement of all non-defaulting participants, and (2) the defaulting participant will be liable to the non-defaulting participants for all costs incurred by the non-defaulting participants pursuant to (1) and for all costs in operating the project at a reduced level of generation brought about by the reduction of the capacity entitlement of the defaulting participant. USBR's participation interest in the Navajo Generating Station is not subject to these suspension procedures, but USBR is obligated to bear its proportionate share of the operation and maintenance costs of any defaulting participant in the Navajo Generating Station. Currently there are no defaulting participants.

[2] Amount shown is maximum capability. Normal continuous load capability is 1,500 MW.

[3] Amount shown is maximum dependable capability. Except during summer, normal continuous load capability will usually exceed 3,937 MW, MDC net (Maximum Dependable Capacity, net).

[4] See "ELECTRIC SYSTEM — Existing and Future Resources — *Navajo Generating Station*" for discussion of the District's potential acquisition of LADWP's 21.2% interest in NGS.

[5] The District holds legal title to this percentage of the Navajo Generating Station for the use and benefit of USBR.

Craig Generating Station Units 1 and 2. The District owns 29% of Craig Generating Station Units 1 and 2, which are operated by Tri-State. The two 428 MW coal-fired generating units commenced commercial operations in 1981 and 1979, respectively. The Craig Generating Station Units 1 and 2 are located in the Yampa Valley near the City of Craig in northwestern Colorado. The District's entitlement to power and energy from Craig Generating Station Units 1 and 2, like the power and energy from Four Corners Generating Station Units 4 and 5 ("Four Corners") and Hayden Generating Station Unit 2, is subject to a displacement arrangement with WAPA. Power and energy is delivered to WAPA and used for WAPA's customers located in Colorado, New Mexico, Utah and Wyoming. WAPA delivers a similar amount of power and energy to the District from the Glen Canyon Hydroelectric Generating Station. This is a displacement arrangement that reduces transmission investment, operating expenses and energy losses both for WAPA and for the District.

See "THE ELECTRIC SYSTEM — Existing and Future Resources — *Coal*" for comments relating to the coal supply for the Craig Generating Station Units 1 and 2.

See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Environmental" for discussion concerning the determination by the State of Colorado of the Best Available Retrofit Technology ("BART") for the Craig Generating Station.

Four Corners Generating Station Units 4 and 5. The Four Corners Generating Station Units 4 and 5, operated by APS, are located on the Navajo Indian Reservation near Farmington, New Mexico. The District owns 10% of Units 4 and 5, two 785 MW (maximum capability) coal-fired generating units, which commenced commercial operations in 1969 and 1970, respectively. Coal comes from the Navajo Mine located 11 miles away on the Navajo Indian Reservation.

SCE, which owned 48% of Units 4 and 5, announced in March 2010 that it planned to divest its interest in Four Corners by 2016, when the participation agreement expired. On November 8, 2010, APS and SCE entered into an asset purchase agreement providing for the purchase by APS of SCE's 48% interest in each of Units 4 and 5 of Four Corners. In December 2013, APS and SCE closed this transaction.

Hayden Generating Station Unit 2. The District owns 50% of Hayden Generating Station Unit 2, a 262 MW coal-fired generating unit, which commenced commercial operations in 1976 and is located in Hayden, Colorado. Public Service Company of Colorado ("PSCo") is the operating agent. PSCo is an operating company within Xcel Energy.

See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Environmental" for discussion concerning the determination by the State of Colorado of the BART for the Hayden Generating Station.

See "THE ELECTRIC SYSTEM — Existing and Future Resources — *Coal"* for comments relating to the coal supply for the Hayden Generating Station Unit 2.

Navajo Generating Station. The Navajo Generating Station ("NGS"), located on the Navajo Indian Reservation near Page in Northern Arizona, consists of three 750 MW coal-fired generating units. The units commenced commercial operations in 1974, 1975 and 1976, respectively. The facility also includes an electric railroad for fuel delivery and 500 kV transmission lines and switching stations to deliver the power and energy to the various participants. The District owns 21.7% of NGS and is the operating agent of the generating station and the railroad. The District also holds legal title to an additional 24.3% for the use and benefit of the Bureau of Reclamation. The NGS coal supply is surface-mined and delivered from the Kayenta Mine, which is located on the Navajo and Hopi Indian Reservations in Northern Arizona. Peabody Western Coal Company ("Peabody") operates the mine under leases with both tribes.

The initial term of the Indenture of Lease for NGS Units 1, 2 and 3 (the "Lease") runs through December 22, 2019, with a right by the owners to extend the Lease for up to an additional 25 years. The Grant of Federal Rights-of-Way and Easements from the U.S. Department of Interior for the plant site runs through December 22, 2019. The coal supply agreement with Peabody also runs through December 22, 2019, with a right by the Participants to extend the agreement to April 30, 2026. A variety of other agreements and grants necessary to the continued operation of NGS expire at various dates as well and will need to be renewed to continue the operation of NGS beyond 2019.

Last year, the U.S. Environmental Protection Agency (the "EPA") issued a final regional haze rule that provides for a significant emission-reduction plan for the plant. That ruling, which is currently being challenged in the courts, requires that the owners of NGS shut down one of the three units at the plant by Jan. 21, 2020, or make a reduction of nitrogen oxide emissions equivalent to the shutdown of one Unit from 2020 to 2030. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Environmental" for discussion of the EPA's determination of BART at NGS under the EPA's Regional Haze Rule and legal challenges to that determination. The District and the other Participants are evaluating future options for NGS in light of these and other developments.

The Department of Water and Power for the City of Los Angeles ("LADWP"), a participant in NGS, has announced that it will replace its coal-fired generation with generation from renewable energy sources by 2020. Further, although LADWP's contract for NGS does not expire until 2019, it announced in August 2010 its intent to

sell its interest in NGS. On May 14, 2015, the District's Board of Directors approved an agreement for the purchase of LADWP's 21.2 percent share of NGS, representing 477 megawatts of capacity. The agreement is still subject to approval by LADWP's Board of Directors, the Los Angeles City Council and the Mayor of Los Angeles, as well as the United States Bureau of Reclamation, among others. By its terms, the transaction would close no sooner than July 1, 2016, if all approvals have been obtained and conditions have been met.

Purchasing LADWP's share of NGS would resolve a critical issue for the future of the plant, namely regulations and policy that do not allow LADWP to continue as a long-term participant owner. Further, the purchase of LADWP's share of the plant would not result in any additional emissions from NGS, and the District anticipates that the short-term increase in its ownership capacity at NGS would revert back to its current amount in 2020, when the requisite actions are expected to be taken to comply with the regional haze ruling. The District does not expect that the purchase would result in any increase in its own carbon dioxide emissions beyond 2020, and would not alter the District's commitment to renewable energy.

As part of NV Energy's NVision plan, it plans to reduce greenhouse gas and other emissions by exiting from or shutting down coal-fired power plants. For this reason, NV Energy, a participant in NGS, has announced plans to end it ownership interest in NGS in 2019.

See "THE ELECTRIC SYSTEM — Environmental Matters — *Navajo Generating Station and Four Corners Generating Station Units 4 and 5*" for a discussion of environmental considerations with respect to NGS, and administration of federal environmental laws by Indian tribes.

See "THE ELECTRIC SYSTEM — Existing and Future Resources — *Coal*" and "LITIGATION — Coal Supply" for discussions relating to the NGS coal supply, and "LITIGATION — Environmental Issues" for a discussion of certain Navajo environmental laws.

Mohave Generating Station. The District owns 20% of the Mohave Generating Station ("Mohave"), which formerly consisted of two 790 MW coal-fired units. Mohave commenced commercial operations in 1971 and is located in Clark County, Nevada, on the Colorado River. SCE is the operating agent. The plant suspended operations in 2005 has been razed to the ground.

The District has replaced its share of output from Mohave with a combination of sources, including Unit 4 of the Springerville Generating Station, a 400 MW coal-fired power plant that was placed in service in December 2009.

In fiscal year 2003, the Board authorized the recovery of the balance of the District's investment in Mohave in its revenue requirements prior to the closure of the plant. In accordance with the Accounting Standards Codification Topic 980 ("ASC 980") for rate-regulated enterprises, a regulatory asset for Mohave was established for $78.0 million during the fiscal years ended April 30, 2003, 2004 and 2005, and is being recovered over a ten-year period which began in fiscal year 2006. On April 30, 2014, the net regulatory asset for Mohave was $13.0 million.

See "LITIGATION — Coal Supply" for a discussion of the other pending issues.

Palo Verde Nuclear Generating Station. The District owns 17.49% of the Palo Verde Nuclear Generating Station ("PVNGS"), located near Wintersburg, Arizona. APS is the project manager and operating agent. PVNGS Units 1, 2 and 3 commenced commercial operation in 1986, 1986, and 1988, respectively. In April 2011, the U.S. Nuclear Regulatory Commission (the "NRC") issued Renewed Facility Operating Licenses for the three PVNGS Units to 2045, 2046 and 2047, respectively.

PVNGS originally consisted of three nominally sized 1,270 MW pressurized water nuclear generating units. The steam generators and low pressure turbine rotors have been replaced in all three units resulting in an increase of 65 to 71 MW net output (11 to 12 MW as the District share) in each unit. Reactor vessel heads have been replaced in all three units. This replacement eliminated industry issues regarding alloy 600 nozzle corrosion cracking in the reactor vessel head.

See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Nuclear Plant Matters" for a discussion of liability issues.

Purchased Power. The District supplies a portion of its energy and demand requirements with purchased power from several sources as shown in Table 3. In fiscal year 2016, approximately 7.7% of the District's energy requirements will be met with long-term power purchases and an additional 12.6% will be met with short-term purchases.

The District has multiple long-term contracts to purchase power from WAPA including a contract executed September 28, 2007, to purchase Navajo Surplus Power with deliveries that began June 1, 2012. Navajo Surplus Power is electrical capacity and energy made available from the entitlement in the Navajo Project which the United States Bureau of Reclamation holds for the purpose of supplying the power requirements of the Central Arizona Project ("CAP") when such amount is surplus. This purchase is for 300 MW during the eight super-peak hours of every day, June through August, and the term runs through September 30, 2031. This purchased power agreement is included in the "Purchased: CAWCD/Navajo Surplus" category of Table 2. This 300 MW purchase partially replaces a previous contract that expired September 30, 2011. In addition, the District purchased power contracts with APA, the Colorado River Storage Project ("CRSP"), and the Parker-Davis Project totaling 115 MW.

The District also has a long-term power purchase contract with TEP that provides for the District to purchase 100 MW of firm power. This contract will expire in fiscal year 2017.

The District entered into a 20-year power purchase agreement ("PPA") with TransCanada, Coolidge Power LLC for the development, construction, and operation of a simple cycle combustion turbine electric peaking plant near Randolph, Arizona with a nominal capacity rating of approximately 551 MW. The agreement, effective May 8, 2008, is for the purchase of all the electrical capacity, energy and ancillary services available from Coolidge Generating Station, which is located in Pinal County and began commercial operation in May 2011. The District has an option for a 10-year extension of the agreement.

The District has entered into various long-term PPAs for renewable energy generation that are currently delivering energy to SRP's system that extend for periods of 10 to 30 years as reflected in the table below. Two wind facilities, with capacities of approximately 63 MW and 64 MW, began commercial operation in fiscal years 2009 and 2011, respectively. Two geothermal facilities, with capacities of 55 MW* and 25 MW, began commercial operation in 2012 and 2013, respectively. Two solar photovoltaic facilities, with capacities of 20 MW and 19 MW, began commercial operation in 2011 and 2012, respectively. One biomass facility, with a capacity of 14MW, began commercial operation in 2008. While the District is receiving the power and renewable energy credits ("RECs") from these facilities, the RECs from the 19 MW facility have been directly sold to a large customer on a short-term basis through December 2016.

The District has also entered into long-term PPAs for additional geothermal and solar power that will begin to deliver power and RECs over the next few years. In 2013, SRP executed a PPA with CalEnergy, LLC (CalEnergy) for the purchase of 50 MW of capacity and associated energy from a portfolio of ten existing geothermal plants in Imperial County, California. In 2014, the PPA was amended to add another 37 MW to the contract. Under the terms of the agreement, the District will receive 18 MW in February 2016, an additional 22 MW in January 2019, an additional 40 MW in March 2019, and an additional 7 MW in May 2020 for a total of 87 MW. In 2014, the District signed a 21-year PPA for the output of the 45 MW Sandstone Solar Facility being developed by Sandstone Power, LLC. This facility is expected to begin commercial operation in late 2015 and is located near Florence, Arizona.

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* An increase in output started on November 5, 2014 could result in up to an additional 5MW of generation. The PPA is for output up to 55MW, but previously only generated up to 50MW due to permit limitations. Those permit limitations were removed last year.

Project	Counterparty	Capacity (MW)	Fuel	Commercial Operation	Term (End Date)	Location
Novo BioPower	Novo BioPower, LLC	14	Biomass	FY2009	FY2024	Snowflake, AZ
Dry Lake I	Iberdrola Arizona Renewables, LLC	63	Wind	FY2009	FY2030	Holbrook, AZ
Dry Lake II	Iberdrola Arizona Renewables, LLC	64	Wind	FY2011	FY2031	Holbrook, AZ
Hudson Ranch I	Hudson Ranch Power I, LLC	55	Geothermal	FY2012	FY2042	Imperial Valley, CA
Copper Crossing	Iberdrola Arizona Renewables, LLC	20	Solar PV	FY2012	FY2037	Florence, AZ
Queen Creek Solar	Siete Solar, LLC	19	Solar PV	FY2013	FY2033	Queen Creek, AZ
Cove Fort	Enel Cove Fort, LLC	25	Geothermal	FY2014	FY2034	Beaver County, Utah
Sandstone Solar	Sandstone Solar, LLC	45	Solar PV	FY2016 (expected)	FY2036	Florence, AZ
CalEnergy	CalEnergy, LLC	87	Geothermal	FY2016-FY2020 (expected)	FY2040	Imperial Valley, CA

Future Resources. The District evaluates its options for obtaining reliable resources on a lowest possible cost basis. In addition to the potential future resource options described below, the District balances short-term and long-term energy purchases, refinements to its conservation programs, building its own new generation and ventures with other plant developers to acquire the output from other plants being constructed. Arizona and many other western states have either deferred or re-examined the implementation of deregulation of the electric industry. As a result, certain merchant generators are seeking buyers for sales of power from, or purchases of, their plants. Consistent with its acquisition of the Desert Basin Project and Mesquite Block 1, the District continues to evaluate these developments, which could include the acquisition of other existing generation facilities.

Springerville Generating Station. In 2001 the District entered into an agreement with UniSource Energy Development Company ("UniSource") for the joint development of two additional coal-fired generating units (Units 3 and 4), approximately 400 MW each in size, to be located at the existing Springerville (Arizona) Generating Station. Under an amendment to the agreement, dated October 20, 2003, the District entered into a 30-year PPA to purchase 100 MW of capacity from Unit 3, which was developed by Tri-State and placed in service in September 2006, beginning the 30-year term of the PPA. In addition, the District received the right to construct and own Unit 4, which it completed and placed in service in December 2009.

Mesquite Generating Station. In February 2013, the District purchased power block 1 of the Mesquite Generating Station (Mesquite) from an independent power producer (Seller). Mesquite, which entered commercial service in 2003, consists of two combined-cycle gas-fired generating power blocks, each nominally rated at 625 MW. Mesquite is located approximately 40 miles west of Phoenix, Arizona. The District purchased 100% of power block 1, a 50% ownership interest in most of the facility's common assets and a 32.05% interest in the adjacent switchyard for approximately $370.2 million. Assets acquired include $364.7 million of plant and $5.5 million of inventory, land and other assets. In addition, the District recorded an estimated asset retirement obligation of $16.0 million as of April 30, 2013 related to legal obligations associated with the assets acquired (see Asset Retirement Obligations – Appendix A – Notes to Combined Financial Statements, for additional information). Final cost studies were obtained in fiscal year 2014 and the estimated obligation was reduced to $9.2 million. The District is the operator for the entire facility. In October 2014, the Seller entered into an agreement to sell its remaining 625 MW block. The District believes this plant will meet long term load growth and customer needs at a reasonable cost.

Peaking Generation Siting. In order to meet future system demand growth, the District is currently assessing the opportunity to build a natural gas peaking plant on District owned property in Pinal County, Arizona. If the need for peaking generation materializes, the District could build up to 900 MW of simple cycle generation at this site. It is anticipated that the generation would be brought on-line in phases with the first phase as early as fiscal year 2022.

The ultimate timing of this new resource will be driven by the load forecast, as it may be modified from time to time, and the availability and attractiveness of other supply and demand-side options.

Transmission. Electricity from the District's diversified generation resource mix is delivered to customers over a complex and reliable transmission system, which is integrated into the grid that connects transmission lines in the West. The District owns transmission systems that deliver electricity from its generating resources to its loads. However, whenever it was not prudent to build a new transmission system, the District acquired contract rights on transmission systems owned by others. In addition to utilizing its transmission system to deliver electricity from its generating resources, the District uses its transmission system to access generation resources produced by others and to transmit energy for others when surplus transmission capacity is available.

In February 2006, the District entered into an agreement with various electrical districts in Pinal County, Southwest Transmission Cooperative, Inc., an Arizona non-profit rural electric cooperative and TEP (collectively the "Project Participants") to develop a 150-mile 500kV transmission line and up to four new substations to serve the growing load in the respective service areas of the Project Participants. The new 500kV transmission line originates at the Hassayampa Switchyard near PVNGS and terminates at the District's Browning Substation. The District's share of the final cost of the project was approximately $320 million. The first 50 miles of 500kV transmission was placed in service in 2008. An additional 47 miles was placed in service in May 2011 but this section was initially energized at 230kV to accommodate the addition of generation resources. The final 500kV segment was placed in service in 2014 and the section previously energized at 230kV was also modified in 2014 to be energized at 500kV.

In December 2009, the District entered into an agreement with APS for the development of a 27-mile 500kV transmission line and two new substations to serve growing load in the Phoenix-Mesa-Scottsdale MSA. APS included 230kV transmission and substations as part of the project without participation by the District. The new 500kV and 230kV transmission lines originate at the new Morgan Substation near Lake Pleasant and terminate at the existing Pinnacle Peak Substation complex in north Scottsdale. The final cost of the 500kV portion of the project was $197 million, of which the District's share was approximately $70 million. The project has been completed and placed into commercial operation.

Fuel Supply. The District's projected use of fuel and other energy sources by type is shown on the following table, which summarizes the District's various sources of energy assuming the most efficient utilization of the facilities expected to be available for the dates indicated.

TABLE 5 — Summary of Projected Energy Sources
(expressed as a percentage of total sources)

Fiscal Year Ending April 30,	Hydro/ Sustainable[1]	Gas/Oil	Coal	Nuclear	Renewables/ Sustainable[2]	Long-Term Purchases	Other
2016	2.4%	10.9%	49.2%	17.7%	13.1%	3.4%	3.2%
2017	2.4%	12.1%	48.7%	17.3%	14.0%	2.8%	2.8%
2018	2.3%	12.3%	48.3%	16.9%	15.0%	2.6%	2.6%
2019	2.3%	13.2%	47.2%	16.4%	15.7%	2.6%	2.7%
2020[3]	2.2%	12.8%	47.0%	16.0%	16.9%	2.5%	2.5%
2021	2.1%	14.0%	45.4%	15.6%	17.7%	2.7%	2.5%
2022	2.1%	16.1%	44.4%	15.3%	17.0%	2.6%	2.5%

[1] Includes federal hydro purchases; hydro resources are included in SRP's Sustainable Portfolio.
[2] Includes renewable energy purchases, renewable resources, energy efficiency and demand response.
[3] In fiscal year 2020, the District may utilize surplus RECs from previous years' over-performance to meet its 20% SPP goal.

Coal. Hayden Generating Station Unit 2, NGS, Four Corners, and Craig Generating Station Units 1 and 2 are coal-fired generating units. The existing coal supply contract for Four Corners expires in July 2016, but will be replaced by a new coal supply contract that expires in July 2031. The coal supply contract for NGS has been extended to December 22, 2019, with an option to extend to December 2026. A new coal supply contract for Hayden Generating Station became effective January 1, 2012 and will expire in December 2027. One of two coal supply contracts for the Craig Generating Station expires December 31, 2017, and provides approximately 36% of

the coal supply for Craig. The remaining 64% of the coal supply for Craig is acquired through a third contract that will expire in December 2020. The District believes it will be able to obtain coal for the remainder of the depreciable life of each plant.

The existing coal supply agreements for Coronado Generating Station ("CGS") and for Springerville Unit 4 are scheduled to expire at the end of calendar year 2015. The District believes it can continue to meet the coal requirements for CGS and Springerville Unit 4, and is currently evaluating options for supply of coal requirements for these two facilities from 2016 through 2019.

The stockpiles of coal for all coal-fired generating stations are at or above acceptable levels for normal operations.

There are a number of disputes involving coal supplies for NGS and other plants in which the District has an interest. The District does not believe that these disputes will have material adverse effects on its operations or financial condition. However, final resolution of any of these disputes cannot be predicted at this time. See "LITIGATION — Coal Supply" for additional discussion of coal supply matters.

Natural Gas. The District utilizes natural gas almost exclusively to fuel its oil or gas-fired units in the Phoenix-Mesa-Scottsdale MSA, and plans to continue to do so as long as natural gas remains available at costs that are economically favorable over other alternatives. The District purchases natural gas pursuant to energy risk management policies and trading strategies designed to minimize financial and operational risk while ensuring that sufficient gas is available to serve the customers of the District.

Natural gas price hedging is primarily accomplished through the use of financial instruments such as exchange-traded futures and options contracts and "over the counter" swaps and options contracts. Hedging activities focus on a rolling six year period into the future relative to the District's retail customer demand. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Competition in Arizona — *Energy Risk Management Program*" herein, for a discussion of the District's Risk Management Program.

To date, most of the District's energy-related hedging transactions have been conducted in the "Over the Counter" ("OTC") markets. Until the passage of the Dodd-Frank Wall Street Reform and Customer Protection Act (the "Dodd-Frank Act") in August of 2010, the OTC market was generally unregulated. The Dodd-Frank Act generally subjects OTC transactions to rules and regulations related to, among other things, clearing, margining and reporting requirements. The District has implemented policies and procedures to comply with these rules and regulations.

Natural gas storage contracts are utilized to balance supply and demand as well as help manage price risk and ensure reliable delivery. Natural gas is delivered to the District's generating facilities via transportation contracts with El Paso Natural Gas Company and Transwestern Pipeline Company.

In October 2007, the District entered into a 30-year gas purchase agreement with the Salt Verde Financial Corporation ("SVFC"), an Arizona nonprofit corporation, to purchase approximately 20% of its projected natural gas requirements needed to serve retail customers. The District is obligated to pay only for the gas delivered under this contract. To fulfill its obligation, SVFC entered into a 30-year prepaid gas agreement with Citigroup Energy Inc. SVFC financed the purchase by the issuance of its special obligation gas revenue bonds ("Gas Revenue Bonds"). The Gas Revenue Bonds do not constitute a debt, liability or obligation of the District.

Nuclear. The nuclear fuel cycle for PVNGS is comprised of the following stages: the mining and milling of uranium ore to produce uranium concentrates; the conversion of uranium concentrates to uranium hexafluoride; the enrichment of uranium hexafluoride; the fabrication of fuel assemblies; the utilization of fuel assemblies in reactors; and the storage and disposal of spent fuel. APS, on behalf of APS, the District, EPE, SCE, PNM, SCPPA, and LADWP (the "Palo Verde Participants"), has procured under contract approximately 95% of the materials and services required to provide uranium concentrates through the year 2015, 90% through 2017, 80% in 2018, and 45% through 2025, 100% of the requirements for conversion services through 2015, 95% through 2018 and 45% through 2025, approximately 95% of the requirements for the enrichment services through 2020 and 20% through 2025, and

100% of the requirements for fabrication services through 2016. APS is examining uranium supplies along with fuel conversion, enrichment, and fabrication services to reduce risks associated with any single component of the supply chain and to better position the Palo Verde Participants when the existing contracts begin to expire.

See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Nuclear Plant Matters" herein, which includes further discussion on spent nuclear fuel.

Sustainable Resource Portfolio

As the nation's oldest multi-purpose federal reclamation project, the Salt River Project was founded on the principles of resource stewardship. The District acknowledges the environmental challenges associated with supplying reasonably-priced power to a growing customer base and recognizes that environmental stewardship, resource conservation and efficiency create effective partnerships with its customers. The District is already pursuing a portfolio of initiatives to meet current and future goals and has invested heavily in research and development.

These investments include a study of technologies for capturing carbon emissions via a chilled ammonia process, a program to commercially deploy six hyper-efficient appliances and testing the means by which to enhance efficiencies of the District's transmission and distribution grid. The District has joined efforts with its customers to reduce greenhouse gas ("GHG") emissions and invest in renewable energy. The District offers a green pricing program called EarthWise Energy that thousands of the District's customers use to support renewable energy. The EarthWise Energy Program provides incentives for customers to install solar photovoltaic hot water systems, and the District also has its Trees for Change and Residential Shade Tree Programs which allow customers to support tree planting.

Evidence of the District's portfolio approach is the Board's adoption of a Sustainable Portfolio Plan ("SPP"). The SPP, adopted in 2004 and amended in 2006 and 2011, targets meeting 9% of expected retail energy requirements with sustainable resources by fiscal year 2012, increasing to 20% by fiscal year 2020. Sustainable resources are defined as all supply-side and demand-side resources that reduce reliance on traditional fossil fuels. This includes generation from renewable resources, including hydro-electric generation, as well as conservation, energy efficiency, codes and standards, and pricing measures. The Sustainable Portfolio does not include nuclear power, but if nuclear is included, about 20% of the electricity currently provided by the District is produced without creating any GHG. The District is pursuing the acquisition of additional, cost-effective renewable resources and is evaluating all options including nuclear.

In addition to supply-side resources, the District has increased its investment in energy efficiency and demand response programs. Through fiscal year 2014, the District has increased its planned investment in energy efficiency by over $250 million. Examples include incentives for the construction of energy efficient homes and commercial buildings, retail partnerships to discount the cost of energy efficient CFLs, an appliance recycling program that pays customers for the pick-up and recycling of inefficient refrigerators/freezers (the first of its kind in Arizona) and comprehensive commercial programs that provide incentives for standard and customized efforts to install efficient lighting and other energy savings equipment.

The District's award-winning M-Power® Pre-Pay Program has received national acclaim for its conservation effect and its use of real time technology to display usage information to customers inside the home. Approximately 125,000 customers participate in the program, making it the largest pre-pay program in North America. Studies have consistently demonstrated an average 12% reduction in energy usage for customers who switch to the program; an added benefit is that over 90% of customers on the program are satisfied/very satisfied with the District.

Augmenting programs that conserve energy, the District is adding to its portfolio of programs that shift peak demand. The District's time-of-use ("TOU") pricing plan is one of the largest in the United States. The District Board introduced the E-21 price plan designed to reduce customer load during the summer hours of 3:00 p.m. - 6:00 p.m. Results from the program showed customers who switched from both the standard and TOU plan consistently reduced energy demand during on-peak hours, with minimal offsetting effects in the pre- and post-peak hours. Due to the success of the E-21 price plan, the District introduced the E-22 and E-25 pilot price plans designed to reduce customer load during the summer hours 4:00 p.m. - 7:00 p.m. and 2:00 p.m. - 5:00 p.m., respectively. Initial results

from the pilot programs are consistent with results from the original E-21 program results in terms of reducing energy demand during on-peak hours. In February 2012, the District's Board approved a new load research program that will assess whether commercial customers can achieve similar reductions to peak demand. The research includes a pilot price plan similar to E-21. See "ELECTRIC PRICES" for further discussion of the District's TOU and M-Power® Programs.

The portfolio of initiatives referenced above, coupled with many other activities and partnerships, will help meet the District's electrical needs while addressing some of the environmental issues facing the industry. The District is actively engaged at the state, regional and federal level on recent EPA initiatives to seek carbon reductions from fossil-fuel-fired power plants. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Environmental" for further discussion.

Insurance and Liability Matters

The liability exposure of electric utilities has generally increased over time as the diversity and number of claims and resulting awards has increased. Electric utility insurance needs have increased accordingly in the areas of coverage and policy limits. In general, over the long-term, the commercial insurance market has not satisfied these increased needs. The commercial insurance market is highly cyclical, with cycles characterized by periods of increasing limits and coverage with lower deductibles, followed by periods of coverage and limit restrictions, higher deductibles and, in some cases, non-renewals or cancellations. As a result, several industry mutual companies have been formed to serve the coverage and limit requirements of the industry, and the District has placed a majority of its liability and directors and officers insurance with such mutual carriers to ensure long-term stability of its insurance programs. The District does continue to place some liability coverages in the commercial market. Additionally, in 2004 the District established SRP Captive Risk Solutions, Limited ("SRPCRS"), a wholly-owned subsidiary, to provide property insurance coverage for certain acts of terrorism as originally provided by the Federal Terrorism Risk Insurance Act of 2002 and extended by the Terrorism Risk Insurance Program Reauthorization Act of 2007 and 2014. Additionally, SRPCRS is utilized to provide other coverage to the District when it can provide enhanced or more economical coverage than through the commercial insurance market.

Insurance for boiler and machinery and property risks in the past was obtained primarily from the commercial market, but a portion of that coverage has been placed with industry mutual companies when most economical. The District believes it has adequate coverage and limits, although insurer competition in the commercial market has declined in some years due to increasing utility loss experience, consolidation of insurers and declining investment income. These factors, as well as catastrophic losses such as the destruction of the World Trade Center and natural disasters such as Hurricane Katrina, have periodically resulted in higher premiums and deductibles and restricted limits and coverage. The District intends to continue the use of commercial carriers to insure machinery and property risks and to expand the use of industry mutual insurance companies to the extent adequate capacity is available. In response to the tragic events at the World Trade Center in New York on September 11, 2001, the District has taken additional security measures to protect its Electric System and other assets.

Environmental Matters

General. The District's policy is to conduct its operations in compliance with all applicable federal, state, tribal, and local laws, regulations, and rules relating to the environment. The District has implemented a comprehensive compliance assurance program, including audits, to meet that goal. However, due to continued changes resulting from legislative, regulatory and judicial actions, there is no assurance that facilities owned by the District will remain subject to the regulations currently in effect, will always be in compliance with future regulations, or will always be able to obtain all required operating permits. An inability to comply with environmental regulations could result in additional capital expenditures to comply, reduced operating levels, or the complete shutdown of individual electric generating units not in compliance.

See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Environmental" for further discussion of environmental issues.

See "THE ELECTRIC SYSTEM — Environmental Matters — *Navajo Generating Station and Four Corners Generating Station Units 4 and 5*" below for a discussion of administration of federal environmental laws by Indian tribes.

Solid and Hazardous Waste Management. Many normal activities in connection with the operation of the District generate hazardous and non-hazardous wastes. Federal, state, and local laws and regulations governing waste management impose strict liability for cleanup costs and damages resulting from hazardous substance release or contamination, regardless of time or location, on those who generate, transport, store, treat, or dispose of hazardous wastes. At any given time, various District facilities may be subject to inspection by federal, state, or local regulatory authorities to determine compliance with laws and regulations pertaining to hazardous and non-hazardous waste management, and District facilities may be included in studies of contaminated sites by federal and state regulatory authorities. The District has established a plan for managing hazardous waste to ensure compliance with applicable laws and regulations, and independently assesses its facilities to determine whether there is any contamination resulting from its activities. From time to time the District and the Association receive inquiries from regulatory authorities about the status of various contaminants at the District's facilities, and respond as appropriate.

Water Quality. Arizona has an extensive regulatory system governing water quality, including permit programs for discharges to surface water and to groundwater, and a superfund program to clean up groundwater contamination. Twelve state superfund sites and seven federal superfund sites targeting contamination of groundwater are active within the greater Phoenix metropolitan area. The Association has agreed with other responsible parties to clean up one federal superfund site, and preliminary reports have identified one District facility as a possible source of contamination for another federal superfund site and an adjacent state superfund site. The full impact, in terms of cost and operational problems, to the District of the reports or laws and regulations pertaining to water quality cannot be quantified at this time.

See "LITIGATION — Environmental Issues — *Superfund Sites"* for discussion of the Motorola 52nd Street Superfund site and the West Van Buren Superfund site.

See "THE DISTRICT — Irrigation and Water Supply System" above for a discussion of well remediation activities.

See "THE ELECTRIC SYSTEM — Environmental Matters — *Navajo Generating Station and Four Corners Generating Station Units 4 and 5*" below for a discussion of administration of federal environmental laws by Indian tribes.

Air Quality. Like other electric utilities and industries, the District is subject to federal, state, and local standards to control emissions to protect air quality. The District's coal-fired generating units are located in the Western United States where the federal agencies place a high emphasis on preserving air quality and visibility at large national parks, monuments, wilderness areas and Indian reservations. Since many of the District's coal-fired generating stations are located in the vicinity of these federal lands, those generating stations may be subject to particularly stringent control standards. These standards substantially increase the cost of, and add to the difficulty of siting, constructing, and operating electric generating units. Environmental requirements regarding air emissions have been changing and are anticipated to change substantially in the future. Legislative or regulatory mandates related to the CAA and climate change initiatives may result in additional requirements for reductions of emissions that are currently regulated, like sulfur dioxide ("SO_2"), nitrogen oxide ("NOx"), particulate matter ("PM"), mercury, and GHG. The District continues to monitor regional climate change initiatives. While government leaders debate climate change, the District is aggressively pursuing strategies to develop facilities to provide renewable and low-carbon intensity generation capacity and continues to monitor legislative and regulatory developments and provide comments.

Based on currently available information, the District cannot estimate or predict its costs to comply with any future proposals and goals, but believes that such costs could be material. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Environmental" for a discussion of the consent decree with the EPA concerning CGS.

See "THE ELECTRIC SYSTEM — Sustainable Resource Portfolio" and "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Environmental" for a discussion of the District's efforts to address GHG emissions.

See "THE ELECTRIC SYSTEM — Environmental Matters — *Navajo Generating Station and Four Corners Generating Station Units 4 and 5*" below for a discussion of administration of federal environmental laws by Indian tribes.

Navajo Generating Station and Four Corners Generating Station Units 4 and 5. Certain environmental laws, including the CAA, the Clean Water Act, and the Safe Drinking Water Act, contain provisions pursuant to which Indian tribes may be treated as states for purposes of administering programs under those acts. The Navajo Nation has obtained EPA approval to administer programs under some of these laws. In general, NGS and Four Corners are regulated by EPA Region IX in San Francisco, California, and comply with applicable federal regulations. However, the District and APS, as operating agents for these plants, have entered into Voluntary Compliance Agreements with the Navajo Nation that establishes contractual authority for the Navajo Nation to issue permits and regulate certain air emissions at NGS and Four Corners under certain rules not stricter than those of the EPA. See "LITIGATION — Environmental Issues — *Navajo Environmental Laws*," for further discussion of the Navajo Nation's environmental laws and the related lawsuits.

ELECTRIC PRICES

Under Arizona law, the District's publicly elected Board has the authority to establish electric prices. While the Articles of Incorporation of the Association provide that the Secretary of the Interior may revise electric prices, the Secretary of the Interior has never requested any revision of the District's electric prices. The District is required to follow certain procedures for public notice and a special Board meeting before implementing any changes in its standard electric price plans.

The District is a summer peaking utility and for many years has made an effort to balance the summer-winter load relationships through seasonal price differentials. In addition, the District prices on a time-of-day basis for large commercial and industrial, and certain residential and commercial users.

The District operates in a highly regulated environment in which it has an obligation to deliver electric service to customers within its service area. In 1998 the Arizona Electric Power Competition Act (the "Competition Act") authorized competition in the retail sale of electric generation, recovery of stranded costs, and competition in billing, metering and meter reading.

While retail competition was available to all customers by 2001, only a few customers chose an alternative energy provider, and those customers have since returned to their incumbent utilities. At this time, there is no active retail competition within the District's service territory or, to the knowledge of the District, within the State of Arizona, and the District's Direct Access Program is suspended.

See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Competition in Arizona — *The Arizona Corporation Commission*" for a discussion of competition among utilities regulated by the ACC.

The District has a long history of promoting price designs that provide customers with the appropriate price signals to reduce load during peak time periods and seasons and use electricity efficiently. All residential, commercial and industrial price plans have seasonally differentiated prices. The District has one of the largest Residential Time-of-Use (TOU) Programs in the United States. With commercial and industrial loads included, the District has nearly 60 percent of its retail sales load subject to a TOU price plan. The District also has the largest residential "pre-pay" program in the United States. Under this program customers pay in advance for their electricity. This program, also known as M-Power®, has had the effect of reducing electricity consumption by participating customers by approximately 12 percent.

The District's price plans have been unbundled since 1999. In May 2002, the District implemented a Fuel & Purchased Power Adjustment Mechanism ("FPPAM") to allow for semi-annual rate adjustments to recover increases in actual fuel costs. The District has had both increases and decreases in the FPPAM since it was implemented.

In June 2004, the District introduced a Transmission Cost Adjustment Factor ("TCAF") to recover costs the District would incur if the District were required to participate in regional transmission organizations. To date, no

costs have been incurred or recovered through the TCAF. In November 2009, the District introduced an Environmental Programs Cost Adjustment Factor ("EPCAF") to recover costs incurred by the District to comply with renewable-energy, energy efficiency and climate-change related requirements imposed by mandate. The EPCAF is applied to all retail customer energy sales at a single per-kWh price for all customer classes except for the E-27 Customer Generation Price Plan where the EPCAF price is a tiered, per-kW rate that varies by season. Through a surcharge to the District's transmission and distribution customers for system benefits, the District recovers the costs of programs benefiting the general public, such as discounted rates for low income customers and customers on medical life support, and for nuclear decommissioning, including the cost of spent fuel storage. This System Benefits surcharge continues to be separately identified and included in the District's price plans for the regulated portion of its operations. Prior to November 2009, some of the EPCAF costs had been recovered as part of the Systems Benefits Charge.

On September 27, 2012, the District approved an overall 3.9 percent system average increase effective with the November 2012 billing cycle. This overall increase was comprised of a 3.9 percent base increase and a 2.4 percent EPCAF increase that were partially offset by a 2.4 percent decrease in the FPPAM.

In March 2013, the District Board approved an overall 1.2% temporary summer system average decrease effective with the May 2013 billing cycle. This overall temporary decrease was comprised of a 0.8% EPCAF decrease and a 0.4% decrease to the FPPAM, effective for the six summer billing months. Prices returned to their November 2012 levels effective with the November 2013 billing cycle.

On Feb. 26, 2015, the Board of Directors of Salt River Project Agricultural Improvement and Power District ("the Board") concluded a public process by approving changes and adjustments to its price plans, including an overall average annual price increase of 3.9%, to be phased in beginning with the April 2015 billing cycle, which for most customers begins sometime in March. This overall increase was comprised of a 4.4 percent base increase and a 0.5 percent EPCAF decrease. There was no material change to the FPPAM.

In addition to other approved changes and adjustments, the Board approved a new price plan for residential customers who, after Dec. 8, 2014, add solar or other technologies to generate some of their energy requirements. SRP structured the new E-27 Customer Generation Price Plan for distributed generation customers to be in line with what non-distributed generation customers pay for the same services. The price plan includes a demand charge to better recover fixed costs related to the solar customer's service facilities and their use of the grid, but also reduces the price the customer pays per kilowatt hour for energy.

SolarCity Corporation, an active participant in the price process proceedings, filed a lawsuit against the District in Arizona Federal District Court on March 2, 2015, alleging, among other things, that the District, by its adoption of the Customer Generation Price Plan, acted unlawfully in an effort to preserve its existing monopoly over the retail provision of electric power for consumers and businesses. The suit asserts claims for unspecified damages and injunctive relief pursuant to federal antitrust laws, claims for injunctive relief under Arizona antitrust laws, and claims for injunctive relief based on Arizona law for intentional interference with prospective economic advantage and intentional interference with agreements between SolarCity and its prospective and current customers. While it is too soon to predict the outcome of this matter, the District believes the lawsuit is without merit and will aggressively defend the suit.

See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Litigation — *2015 Price Process Litigation*" for a discussion of the SolarCity lawsuit.

CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program is a six-year forecast of all District construction expenditures, and is subject to change from time to time for several reasons, including changes in projections for economic and customer growth, changes in construction costs, projects being added, deleted, deferred or completed and changes in the period covered by the forecast. See "THE DISTRICT — Economic and Customer Growth in the District's Service Area."

The Capital Improvement Program for fiscal years 2016 through 2021 totals approximately $5.3 billion. Of this total, approximately $5.0 billion is for construction (including contingencies), $200.5 million is for capitalized administrative and general expenses, $18.0 million is for capitalized voluntary contributions in lieu of taxes, and $99.8 million is for capitalized interest. In the past, the District has paid a portion of the cost of the Capital Improvement Program from internally generated funds and a portion from the proceeds of Revenue Bonds. The District anticipates funding approximately 34% of the Capital Improvement Program from Revenue Bonds, other forms of indebtedness and third-party contributions. The remainder is anticipated to be funded by internally generated funds.

The Capital Improvement Program is driven by the need to sustain the generation, transmission and distribution systems of the District in order to meet customer electricity needs and to maintain a satisfactory level of service reliability. Of the approximately $5.3 billion Capital Improvement Program, approximately $1.7 billion is directed to generating projects. These include funding for such items as: plant emission controls, plant betterments and future generation facilities. Approximately $1.7 billion is planned for expansion of the electrical distribution system to meet future growth and to replace aging underground cable. The efforts for the Price Road Industrial Expansion Project, line additions and pole asset management account for part of the $507.2 million planned expenditures for transmission.

To provide for uncertainties in construction costs (including possible schedule changes, and other factors that may affect construction costs) and to provide a scope allowance for projects that may be needed in the future but are not yet identified, the District has included a general contingency allowance in the Capital Improvement Program in addition to specific contingency allowances provided for major construction projects. No assurance is given that the estimated costs and contingency allowance will be adequate for their purposes.

The District updates its Capital Improvement Program annually in April of each year. When projected economic and customer growth declines, the District reviews its Capital Improvement Program to reflect revised demands on the Electric System. See "THE DISTRICT — Economic and Customer Growth in the District's Service Area."

Table 6 summarizes the District's fiscal year 2016 through 2021 Capital Improvement Program.

TABLE 6 — Fiscal Year 2016 through 2021 Capital Improvement Program
($000's)

	2016	2017	2018	2019	2020	2021	Total 2016-21
Electric Construction:							
Generation	$ 178,422	$ 180,471	$ 186,292	$ 214,161	$ 416,119	$ 561,878	$1,737,343
Transmission	101,652	121,502	66,071	91,893	56,103	70,004	507,224
Distribution	258,606	271,634	299,646	305,352	296,155	288,650	1,720,042
Customer Systems	42,384	32,572	22,869	22,905	22,578	22,342	165,650
Operational Support	151,013	102,394	102,850	94,853	96,774	101,773	649,658
Subtotal — Electric Construction	732,077	708,573	677,728	729,164	887,727	1,044,647	4,779,917
Contingency Allowance & Risk Portfolio	11,675	21,256	38,254	37,897	60,570	66,924	236,576
Subtotal	743,752	729,829	715,982	767,061	948,297	1,111,571	5,016,492
Capitalized Administrative and General Expenses	30,149	28,286	26,566	31,200	38,415	45,843	200,459
Capitalized Voluntary Contributions	3,000	3,000	3,000	3,000	3,000	3,000	18,000
Capitalized Interest	12,060	14,098	12,895	10,186	18,146	32,384	99,769
Total[(1)]	$ 788,961	$ 775,213	$ 58,443	$ 811,447	$1,007,857	$1,192,799	$5,334,721

[(1)] Totals may not exactly equal the sum of the above entries due to rounding.

SELECTED OPERATIONAL AND FINANCIAL DATA

Customers, Sales, Revenues and Expenses

Classification of Customers. The District has a diversified customer base. As of the fiscal year ending April 2014, no one retail customer represented more than 2.0 % of operating revenues. The classifications of the District's electric customers are shown in Table 7.

Unless otherwise indicated, the financial information included below pertains solely to the District and is not prepared on a combined basis consisting of the District and the Association.

TABLE 7 — 2014 Customer Accounts, Sales, and Revenues
Fiscal Year Ended April 30, 2014

	Customer Accounts at April 30, 2014	Total Sales (GWh)	%	Sales Revenue ($000)	%
Residential	886,460	12,290	36.6	$1,383,575	46.5
Commercial and Small Industrial	87,087	10,570	31.5	940,952	31.6
Large Industrial	24	2,127	6.3	134,593	4.5
Mines	25	1,595	4.8	94,225	3.2
Pumps	94	32	0.1	2,802	0.1
Public/Private Lighting	9,963	206	0.6	31,320	1.0
Interdepartmental	1	138	0.4	11,790	0.4
Subtotal/Retail	983,654	26,958	80.3	2,599,257	87.3
Other Electric/Wholesale[1]	92	6,609	19.7	379,190	12.7
Total[2]	983,746	33,567	100.0	$2,978,447	100.0

[1] The electric industry engages in an activity called "book-out" under which some energy purchases are netted against sales, and power does not actually flow in settlement of the contract. The District presents the impacts of these financially settled contracts on a net basis. Wholesale figure shown is adjusted to exclude book-outs.
[2] Totals may not add correctly due to rounding.

As has been historically the case, the residential group of customers accounted for the largest energy consumption. With 886,460 customers at April 30, 2014, this group serves as a solid base, bringing in approximately 46.9% of total electric revenues.

The second largest retail customer classification is the commercial and small industrial group; these customers numbered 87,087 at April 30, 2014 against 85,630 twelve months earlier. The commercial and small industrial group represents a highly diverse customer base, which includes businesses such as newspapers, dentists, cosmetics, fast food, repair shops, schools, apartments, and grocery stores. The remaining customer categories span a wide range of customers and industries, which include manufacturers, government contractors, gas and chemical producers, agricultural interests, and municipalities.

Historical Operating Statistics. The following table shows certain historical operating statistics of the District for the five years ended April 30, 2014.

TABLE 8 — Historical Operating Statistics

	2014	2013	2012	2011	2010
SERVICE:					
Total Customers at Year-End	983,746	969,046	956,756	949,388	942,024
Total Sales (million kWh)	33,567	33,840	33,208	33,044	33,480
Average Revenue per kWh (cents)	8.43	8.33	8.21	8.27	7.94
District Only: (excludes sales for resale and affiliated retail)					
Sales (millions kWh)	26,957	27,158	26,627	26,276	26,313
Increase in Sales (%)	(0.7)	2.0	1.3	(0.1)	(1.6)
TOTAL OPERATING REVENUES:					
(000's omitted)[1][9]	$ 2,978,447	$ 2,819,321	$ 2,745,251	$ 2,769,344	$ 2,722,268
OPERATING EXPENSES					
(000's omitted):					
Fuel and Purchased Power[2][9]	$ 1,023,853	$ 871,015	$ 1,033,601	$ 943,396	$ 1,109,115
Operating and Maintenance[3]	939,690	927,576	869,327	825,580	785,674
Sales and Payroll Taxes	35,510	34,000	32,862	29,324	29,253
Ad Valorem Taxes[4]	8,541	4,324	4,706	2,514	6,619
Total Operating Expenses[5]	$ 2,007,594	$ 1836,915	$ 1,940,496	$ 1,800,814	$ 1,930,661
NET OPERATING REVENUES	$ 970,853	$ 982,406	$ 804,755	$ 969,530	$ 791,607
VOLUNTARY CONTRIBUTIONS IN LIEU OF TAXES (000's omitted):[6]					
Expensed	$ 114,005	$ 101,006	$ 89,848	$ 71,888	$ 64,262
Capitalized	2,456	1,367	1,277	1,743	1,189
Total	$ 116,461	$ 102,373	$ 91,125	$ 73,631	$ 65,451
OTHER STATISTICS:					
Annual Peak (MW):					
System Requirements	6,567	6,663	6,394	6,350	6,438
Total Peak Load[7]	7,614	7,195	7,072	7,438	7,138
System Load Factor(%)[8]	48.3	47.9	48.2	48.4	47.8
Residential Statistics:					
Fiscal Year-End Residential Customers	886,460	872,875	861,614	854,238	847,565
Annual Sales (million kWh)	12,290	12,695	12,448	12,351	12,527
Average Annual Usage (kWh)	13,911	14,579	14,442	14,488	14,816
Average Sales Price per kWh (cents)	11.26	10.93	10.76	10.74	10.16

[1] Includes inter-company sales and other electric revenue.

[2] Excludes charges for water for power, depreciation on generation and railroad facilities, ad valorem taxes and voluntary contributions in lieu of taxes on railroad facilities.

[3] Excludes depreciation on generation, transmission, distribution and general plant.

[4] Applies to out-of-state properties owned by the District.

[5] District operating expenses and net operating revenues as presented are not in accordance with generally accepted accounting principles ("GAAP") due to the exclusion of depreciation expense and voluntary contributions in lieu of taxes.

[6] See "SELECTED OPERATIONAL AND FINANCIAL DATA — Customers, Sales, Revenues and Expenses — *Voluntary Contributions in Lieu of Taxes*."

[7] Includes sales for resale, remote losses and interruptible load transactions.

[8] System load factor is the ratio of system energy requirements in kWh to the product of the system requirements times the number of hours in a year. These percentages reflect in major part the wide differential between the extreme summer cooling season and the moderate winter heating season.

[9] Total operating revenues and fuel and purchased power have been adjusted for the effects of EITF 03-11 starting in fiscal year 2003 and SFAS No. 133 beginning in fiscal year 2002.

Voluntary Contributions in Lieu of Taxes. In accordance with permissive legislation, the District makes voluntary contributions each year to the State of Arizona, school districts, cities, counties, towns and other political subdivisions of the State of Arizona, for which property taxes are levied and within whose boundaries the District has property devoted to furnishing electric service. As a political subdivision of the State of Arizona, the District is exempt from property taxation. The amount paid is computed on the same basis as ad valorem taxes paid by a private utility corporation with allowance for certain water-related deductions. Contributions based on the costs of construction work in progress are capitalized, and those based on plant-in-service are expensed.

The Arizona Legislature passed legislation in 2011 that will reduce the assessment ratio for calculation of in lieu contributions in Arizona from 20% to 18% by tax year 2016. The legislation reducing the assessment ratio to 18% is expected to produce an annual savings of approximately $1.3 million.

See "THE ELECTRIC SYSTEM — Existing and Future Resources — *Purchased Power*" herein.

Additional Financial Matters

Short-Term Promissory Notes and Credit Agreement Borrowings. The District's Board has authorized the issuance of up to $500 million in short-term promissory notes (the "Promissory Notes"). The Promissory Notes are sold in the commercial paper market and mature no more than 270 days from the date of issuance. The Promissory Notes are issued in minimum denominations of $100,000, in bearer or registered form without coupons, and bear interest from their date at an annual interest rate not in excess of 15%. As of May 4, 2015, the District had $225 million of Promissory Notes outstanding, consisting of $50,000,000 in promissory notes sold in the tax-exempt commercial paper market and $175,000,000 in promissory notes sold in the taxable commercial paper market.

The District has two revolving line-of-credit agreements (the "RCAs"), $100.0 million and $400.0 million. Both agreements support the $125.0 million of Promissory Notes outstanding as of April 30, 2014. The $100.0 million revolving credit agreement expires on May 16, 2017, and the $400.0 million revolving credit agreement expires on June 25, 2018.

The District has limited the total amount of indebtedness which may be outstanding at one time under the RCAs, or any agreement in substitution or replacement therefor, and in the commercial paper market to an aggregate of $500 million. However, the District can issue Promissory Notes in excess of $500 million if it obtains additional District Board authorization and liquidity/credit facilities equal to such additional Promissory Notes.

The indebtedness of the District evidenced by the Promissory Notes is, and any borrowings under the RCAs would be, an unsecured obligation of the District payable from the general funds of the District lawfully available therefor, subject in all respects to the prior lien of U.S. Government Loans, if any, revenue bonds and other indebtedness of the District secured by revenues or assets of the District. No specific revenues or assets of the District are pledged to the payment of the Promissory Notes or any borrowings under the RCAs, and the Promissory Notes and such borrowings are not payable from taxes. The District made no borrowings under the RCAs.

On December 18, 2003, DBIT issued $282,680,000 aggregate principal amount of the Certificates evidencing direct undivided interests in rental payments made by the District pursuant to a Lease Purchase Agreement with DBIT for Desert Basin. On December 1, 2013, the District redeemed all outstanding Certificates with cash from its general fund. The Certificates were unsecured obligations of the District, payable from lease payments to be made by the District from general funds of the District lawfully available therefor, subject in all respects to the prior lien of U.S. Government Loans, if any, revenue bonds and other indebtedness of the District secured by revenues or assets of the District.

No Default. The District is not in default in the payment of the principal of or interest on any of its bonds, notes, or other debt obligations. The District is in compliance with all other covenants of its bonds, notes, or other debt obligations.

Management's Discussion of Operations. During the twelve-month period ended January 31, 2015, the number of electric customers increased by 1.4%, compared to an increase of 1.5% for the twelve-month period ended January 31, 2014.

Total operating revenues for the first nine months of fiscal year 2015 increased $66.8 million or 2.7% compared with the same period last year. Retail electric revenues for the first nine months of fiscal year 2015 increased $63.5 million or 3.0% compared with the same period last year, primarily due to an increase in retail customers and more extreme temperatures, both of which contributed to increased kWh sold. The increase in retail electric revenues was supplemented by an increase in wholesale revenues of $2.8 million or 1.1%. The wholesale revenues increase was primarily due to the increased kWh sold coupled with favorable changes in fair value of wholesale positions in the current year.

Total operating expenses for the first nine months of fiscal year 2015 increased by $204.7 million or 9.9% compared with the same period in the prior year. This increase was primarily driven by increases in fuel expense ($135.1 million), purchased power ($34.0 million) and depreciation and amortization ($31.2 million).

The increase in fuel expense resulted primarily from changes in the fair value of fuel ($114.9 million loss associated with fair value of fuel contracts). Without the effects of the changes in fair value, fuel expense would have increased $20.2 million. This increase in fuel expense is due to costs associated with increased generation at gas generating stations in fiscal year 2015. Purchased power increased due to increases in renewable power plant generation in 2015 compared to fiscal year 2014, and depreciation and amortization expense increased compared to fiscal year 2014 primarily as a result of a large amount of assets placed into service in fiscal years 2014 and 2015.

Investment income for the first nine months of fiscal year 2015 was $20.6 million compared with $50.0 million for the same period in the prior year. The decrease resulted from changes in the equity markets.

Financing costs for the first nine months of fiscal year 2015 decreased $5.5 million or 3.8% compared with the same period in the prior year due primarily to debt redemptions during 2014.

The effects of the previously mentioned activities resulted in net revenues for the first nine months of fiscal year 2015 of $108.9 million, compared with net revenues of $269.5 million for the same period in the prior year. Without the change in fair value of fuel, purchased power, wholesale positions and certain investments, net revenues for the first nine months of fiscal year 2015 would have totaled $184.4 million, compared with $202.0 million for the same period of the prior year.

Nine Months Ended January 31, 2015 – Unaudited.

TABLE 9 – Summary Combined Financial Data[1]
($000's – Unaudited)

Summary Combined Statements of Net Revenues

	2015	2014
Operating Revenues:		
Retail Electric	$ 2,196,605	$ 2,133,117
Water	12,436	11,812
Wholesale	248,597	245,824
Other Electric	49,486	49,529
Total Operating Revenues[2]	2,507,124	2,440,282
Operating Expenses:		
Purchased Power	321,686	287,694
Fuel Used in Electric Generation	703,405	568,301
Other Operating Expenses[2]	534,072	541,426
Maintenance	217,463	206,291
Depreciation and Amortization	397,957	366,798
Taxes and Tax Equivalents	118,591	119,041
Total Operating Expenses	2,293,174	2,089,551
Net Operating Revenues	213,950	350,731
Other Income:		
Investment Income (Loss), Net	20,565	49,977
Other Income (Deductions), net	14,030	13,937
Total Other Income (Loss)	34,595	63,914
Net Financing Costs	139,652	145,124
NET REVENUES	$ 108,893	$ 269,521

[1] The unaudited combined financial data reflect the combined net revenues of the District and the Association and should be read in conjunction with the Notes to the Combined Financial Statements attached hereto as Appendix A.
[2] Inter-company transactions eliminated.

TABLE 10 – Summary Combined Financial Data[1]
(000's)

	As of January 31, 2015 (Unaudited)	As of April 30, 2014
ASSETS		
Utility Plant, at Original Cost	$ 14,970,584	$ 14,638,933
Less: Accumulated Depreciation	6,924,855	6,575,764
	8,045,729	8,063,169
Other Property and Investments	1,408,371	1,383,617
CURRENT ASSETS		
Cash and Cash Equivalents	288,438	264,103
Temporary Investments	124,000	121,202
Current Portion, Segregated Funds	27,392	99,070
Receivables, Net	275,933	254,713
Fuel Stocks	66,085	48,908
Materials and Supplies	158,343	153,972
Other	22,696	34,610
	962,887	976,578
Deferred Charges and Other Assets	1,001,351	1,000,564
TOTAL ASSETS	$ 11,418,338	$ 11,423,928
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Accumulated Net Revenues	$ 4,844,788	$ 4,735,895
Long-Term Debt	4,283,249	4,413,028
TOTAL CAPITALIZATION	9,128,037	9,148,923
CURRENT LIABILITIES		
Current Portion, Long-Term Debt	121,111	110,196
Accounts Payable	125,624	176,727
Accrued Taxes and Tax Equivalents	88,679	116,315
Accrued Interest	18,329	64,657
Customer Deposits	89,693	89,453
Other	292,811	239,718
	736,247	797,066
Deferred Credits and Other Non-Current Liabilities	1,554,054	1,477,939
TOTAL CAPITALIZATION AND LIABILITIES	$ 11,418,338	$ 11,423,928

[1] The unaudited combined financial data reflect the combined net revenues of the District and the Association and should be read in conjunction with the Notes to the Combined Financial Statements attached hereto as Appendix A.

Outstanding Revenue Bond Long-Term Indebtedness. As of April 30, 2015, the District had outstanding $3,763,260,000 of Revenue Bonds, computed without deducting/adding the unamortized bond discount/premium.

The following table shows the Revenue Bond Debt Service Requirements subsequent to the issuance of the 2015 Series A Bonds.

TABLE 11 — Total Revenue Bond Debt Service Requirements[1]

Years Ending April 30, [2]	Principal Requirements on Outstanding Revenue Bonds [3]	Interest Requirements on Outstanding Revenue Bonds	Total Debt Service Requirements
2015	$ 42,017,917	$ 52,542,433	$ 94,560,349
2016	112,897,500	183,557,574	296,455,074
2017	100,653,750	182,762,231	283,415,981
2018	101,136,250	178,458,956	279,595,206
2019	93,918,333	174,078,452	267,996,785
2020	92,097,083	169,657,577	261,754,660
2021	91,107,083	165,187,498	256,294,582
2022	97,664,167	160,736,638	258,400,804
2023	100,235,417	155,936,411	256,171,828
2024	105,885,833	150,975,168	256,861,001
2025	114,393,750	145,685,496	260,079,246
2026	112,877,500	139,984,517	252,862,017
2027	120,881,250	134,366,833	255,248,083
2028	126,750,417	128,322,771	255,073,188
2029	133,262,500	121,988,025	255,250,525
2030	127,329,167	115,330,450	242,659,617
2031	151,122,500	108,977,383	260,099,883
2032	166,318,333	101,447,579	267,765,913
2033	165,652,083	93,500,329	259,152,413
2034	181,907,500	86,038,338	267,945,838
2035	180,323,750	77,852,150	258,175,900
2036	192,252,500	69,831,254	262,083,754
2037	193,410,417	60,971,354	254,381,771
2038	217,346,667	51,729,000	269,075,667
2039	96,461,667	40,861,667	137,323,333
2040	229,795,000	36,140,220	265,935,220
2041	232,199,583	25,020,440	257,220,023
2042	49,747,083	13,743,854	63,490,938
2043	52,232,083	11,256,500	63,488,583
2044	54,843,333	8,644,896	63,488,229
2045	57,589,167	5,902,729	63,491,896
2046	60,465,417	3,023,271	63,488,688

[1] Totals may not add due to rounding.
[2] Payment amounts for Debt Service are for the years in which they accrue, not for the years in which they are paid.
[3] Interest Requirements do not reflect subsidy payments from Build America Bonds.

The following table shows the actual application of revenues and coverage of Debt Service requirements for fiscal years 2011, 2012, 2013 and 2014.

TABLE 12 — Historical Application of Revenues and Coverage of Debt Service Requirement ($000's – Unaudited)

	2014[1]	2013[1]	2012[1]	2011[1]
Electric Revenues[2]	$ 3,020,716	$ 2,886,109	$ 2,794,235	$ 2,801,771
Operating Expenses[2][3][4]	2,115,558	1,993,097	1,859,322	1,861,968
Revenues from Operations	905,158	893,012	934,913	939,803
Interest and Other Income (Net)	61,057	(27,333)	(26,975)	41,330
Revenues Available for Debt Service	966,215	865,679	907,938	981,133
Revenues Available for Debt Service on Revenue Bonds and Subordinated Debt	966,215	865,679	907,938	981,133
Debt Service Requirements Revenue Bonds	287,281	309,129	321,593	323,853
Debt Service Requirements Subordinated Debt	15,285	29,347	29,350	29,381
Total Debt Service	302,566	338,476	350,943	353,234
Coverage of Total Revenue Bond Debt Service[5]	3.36	2.80	2.82	3.03
Coverage of Total Debt Service[6]	3.19	2.56	2.59	2.78
Balance after Debt Service	663,649	527,203	556,995	627,899
Plus: Interest on Construction Fund	--	--	185	393
Less: Contribution in Lieu of Taxes	114,120	101,149	89,969	71,888
Less: Contributions to Water Operations	62,184	54,438	39,360	34,718
Less: Falling Water Charges[7]	6,453	7,791	15,804	14,160
Balance Available for Corporate Purposes	$ 480,892	$ 363,825 [8]	$ 412,047 [8]	$ 507,526

[1] Includes inter-company sales.
[2] Electric Revenues and Operating Expenses do not include the effects of EITF 03-11 and SFAS No. 133.
[3] Includes ad valorem taxes applicable to out-of-state properties owned by the District and payroll taxes. Excludes depreciation, voluntary contributions in lieu of taxes and inter-company charge for water for power and includes price increases.
[4] Operating expenses include costs on an accrual basis for post-retirement medical benefits and demand charges related to the contract for Navajo Surplus.
[5] Figures derived by dividing line "Revenues Available for Debt Service" by line "Debt Service Requirements Revenue Bonds."
[6] Figures derived by dividing line "Revenues Available for Debt Service on Revenue Bonds and Subordinated Debt" by line "Total Debt Service."
[7] The charges by the Association for water used in hydroelectric generation.
[8] May be reconciled with combined net revenues for 2014 as follows:

($000's – Unaudited)

BALANCE AVAILABLE FOR CORPORATE PURPOSES	$ 480,892
Bond principal repayment	101,065
Subordinated Debt principal payment	10,206
Rate Stabilization Funds	--
Capitalized Interest	14,641
Amortization of regulatory assets	(13,815)
Depreciation and amortization	(466,652)
Fuel related depreciation (reflected in fuel costs)	(994)
Amortization of bond accretion	--
Realized Earnings on PRM and Life	(69,373)
Amortization of bond discount/premium, issuance, and refinancing expenses	17,311
Capital lease principal payments	13,103
Net Revenues before impact of fair value adjustments	86,384
Impact of fair value adjustments	125,699
Gain on sale of available-for-sale securities	--
COMBINED NET REVENUES	$ 212,083

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

General

The electric utility industry in general has been, and in the future may be, affected by a number of factors which could impact the business affairs, financial condition and competitiveness of an electric utility and the level of utilization of generating facilities, such as those of the District. Two significant factors are (i) the efforts on national and local levels to restructure the electric utility industry from a heavily regulated monopoly to an industry in which there is open competition for power supply and transmission, and (ii) the regulatory requirements related to the issues of climate change.

Other factors include, among others, (i) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (ii) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (iii) changes that might result from national energy policies, (iv) increased competition from independent power producers, (v) "self-generation" by certain industrial and commercial customers, (vi) issues relating to the ability to issue tax-exempt obligations, (vii) severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects financed with outstanding tax-exempt obligations, (viii) changes from projected future electricity requirements, (ix) increases in costs, (x) shifts in the availability and relative costs of different fuels, (xi) effects of the financial difficulties confronting the power marketers, and (xii) costs resulting from attempts to change the way transmission providers operate. Any of these factors (as well as other factors) could affect the financial condition of any given electric utility and likely will affect individual utilities in different ways.

The District cannot predict what effects these factors will have on its business, operations and financial condition, but the effects could be significant. The following is a brief discussion of certain of these factors. However, this discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date of this Official Statement. Extensive information on the electric utility industry is, and will be, available from sources in the public domain, and potential purchasers of the securities of the District should obtain and review such information.

The Federal Energy Regulatory Commission

The Federal Energy Regulatory Commission ("FERC") regulates the transmission of electricity in interstate commerce. Historically, with limited exceptions, FERC has not regulated transmission services by public power. However, the Energy Policy Act of 2005 (the "Energy Policy Act") expanded FERC jurisdiction by granting FERC authority to regulate the non-rate terms and conditions, and to a lesser extent, rates, under which public power entities (including the District) provide transmission services, either through a comprehensive rule-making impacting all public power entities or upon a final finding that any one public power entity has engaged in discriminatory practices that impaired fair and open access to its transmission system. The Energy Policy Act explicitly prohibits FERC from requiring public power entities to take actions that would violate a private activity bond rule. To date FERC has declined to generically implement its authority over public power entities, and determined its authority would be used on a case-by-case basis. FERC has thus far only ordered one specific public power entity to file a FERC-approved open access transmission tariff.

In response to FERC's rule for nondiscriminatory access to transmission and recent FERC orders expanding options for public power entities, the District developed a Board of Directors-approved Open Access Transmission Tariff which is publically posted and sets forth the equivalent terms and conditions under which the District operates its transmission system. By operating under its own version of a public power entity tariff, the District enjoys a presumption of reciprocity that ensures the District's access to the transmission systems of public utilities. The District has also entered into an agreement with other utilities in California, Arizona, New Mexico, Nevada, far west Texas, Colorado and Wyoming, to facilitate development of certain wholesale market enhancements that would improve transmission and wholesale energy markets. See "THE ELECTRIC SYSTEM — Existing and Future Resources — *Transmission*."

Competition in Arizona

The Electric Power Competition Act. In 1998, Arizona enacted the Competition Act, which applies to public power entities, like the District. The Competition Act authorized competition in the retail sale of electric generation, recovery of stranded costs, and competition in billing, metering and meter reading. While retail competition was available to all customers by 2001, only a few customers chose an alternative energy provider, and those customers have since returned to their incumbent utilities. At this time, there is no active retail competition within the District's service territory or, to the knowledge of the District, within the State of Arizona, and the District's Direct Access Program is suspended. See "ELECTRIC PRICES" for further discussion.

The Arizona Corporation Commission. The ACC regulates investor-owned and cooperatively-owned utilities, called public service corporations in Arizona. The Arizona Legislature, in the Competition Act, directed the ACC to adopt rules for competition similar to what the Arizona Legislature had enacted for public power entities.

In 1999, the ACC issued its rules for retail electric competition, which were challenged in the courts, and held to be invalid. At various times since, numerous energy service providers, meter reading, and meter service providers, as well as brokers, large industrial customers and merchant power plant owners have urged the ACC to reinstate some form of retail competition, but none have been successful. The most recent effort was in May 2013, when the ACC opened a further inquiry into retail competition and requested that interested parties provide comments on a series of ACC-issued questions. The District participated in this inquiry. On September 11, 2013, the ACC voted to close its inquiry into whether the ACC should consider deregulation of the Arizona electricity market. The ACC's action was consistent with the position advocated by SRP. However, effective July 1, 2012, the ACC approved another major Arizona utility's proposed buy-through pilot program whereby a limited number of large industrial customers are now allowed to purchase generation from other providers.

In a separate proceeding, filed in 2010, an advocacy group for the solar industry comprised of equipment manufacturers, dealers and installers, and a solar electric provider, petitioned the ACC for a determination that providers of certain solar service agreements were not public service corporations. At issue was whether such providers were public service corporations under the Arizona Constitution and, therefore, regulated by the ACC. The ACC ruled on June 30, 2010, that a solar electric provider providing service to a school, nonprofit organization or governmental entity from a solar facility constructed on the customer's premises was not subject to ACC jurisdiction as a public service corporation.

Strengths of the District/Competitive Business Strategy. The District has several strengths as well as a competitive business strategy, which positions it well to deal with the effects of a restructuring of the utility industry. The District has retained its existing vertically-integrated infrastructure; it has retained 100% of its existing generation assets and is developing additional resources to keep up with its load growth. Its fuel sources for existing generation are diversified, and planned additions include sustainable as well as gas resources. See "THE ELECTRIC SYSTEM — Existing and Future Resources" and "THE ELECTRIC SYSTEM — Projected Peak Loads and Resources" herein.

The District has prepared for increased competition in the utility industry for well over a decade. These results have been achieved through initiatives that included extensive debt refinancing, renegotiation of fuel supply agreements, staff reductions, implementation of numerous operating efficiencies and enhancing services provided to the District's customers. The District also has a diversified customer base and, as of the end of the fiscal year ending April 2014, no single customer provided more than 2.0% of its operating revenues. See "SELECTED OPERATIONAL AND FINANCIAL DATA — Customers, Sales, Revenues and Expenses" herein.

The District is regulated by an independent, publicly-elected Board of Directors which approves its capital budgets and electric price structure. Together the Board and management developed various initiatives in response to the restructuring in the industry. See "THE DISTRICT — Organization, Management and Employees" herein.

The District has conducted studies, which have shown that customers with high loyalty rates are less likely to select another generation provider. Consequently, the District has implemented projects and programs geared towards enhancing "customer loyalty" by offering them a range of pricing and service options. Moreover, the District is one of the low-cost price leaders in the Southwest. See the discussion of price initiatives under

"ELECTRIC PRICES." The District was recognized in 2014 by J.D. Power & Associates for scoring the highest in residential customer satisfaction among electricity providers in the West. The District has received this award 15 out of the last 16 years. The District also scored highest in customer satisfaction for business electric service among electricity providers in the western United States for 2004, 2005, 2006, 2010, 2011, 2012, 2014 and 2015. The District also was ranked number one among large utilities for the last nine years by residential customers and ranked number one in four out of the last five years among business customers.

Energy Risk Management Program. The cornerstone of the District's risk management approach is its mission to serve its retail customers. This means that the District builds or acquires resources to serve retail customers, not the wholesale market. However, as a summer peaking utility, there are times during the year when the District's resources exceed its retail load, thus giving rise to wholesale activity. The District has an Energy Risk Management Program to limit exposure to risks inherent in retail and wholesale energy business operations by identifying, measuring, reporting, and managing exposure to market, credit, and operational risks. To meet the goals of the Energy Risk Management Program, the District uses various physical and financial instruments, including forward contracts, futures, swaps, and options. Certain of these activities are accounted for under the Accounting Standards Codification Topic 815, "Derivatives and Hedging," ("ASC 815"). Under ASC 815, derivative instruments are recorded in the balance sheet as either an asset or liability measured at their fair value. The standard also requires that changes in the fair value of the derivative be recognized each period in earnings or other comprehensive income depending on the purpose for using the derivative and/or its qualification, designation and effectiveness as a hedging transaction. Many of the District's contractual agreements qualify for the normal purchases and sales exception allowed under ASC 815, and are not recorded at market value.

The Energy Risk Management Program is managed according to a policy approved by the District's Board of Directors, and overseen by a Risk Oversight Committee. The Risk Oversight Committee is composed of senior executives. The District maintains an Energy Risk Management Department separate from the energy marketing area. The Energy Risk Management Department regularly reports to the Risk Oversight Committee. The policy established by the District's Board of Directors addresses market, credit and operational risks.

Environmental

Electric utilities are subject to federal, state and local environmental regulations which continually change due to legislative, regulatory and judicial actions. There is concern by the public, the scientific community, President Obama's Administration and Congress regarding environmental damage resulting from the use of fossil fuels, and there are a number of legislative proposals that may affect the electric utility industry. There has also been an increase in the level of environmental enforcement by the EPA and by state and local authorities. Existing and new environmental regulations under the provisions of the CAA, and other environmental laws, have created certain barriers to new facility development and modifications to existing facilities. Consequently, there is no assurance that facilities owned by the District will remain subject to the regulations currently in effect, will always be in compliance with future regulations, or will always be able to obtain all required operating permits. The need to comply with environmental regulations could result in additional capital expenditures, reduced operating levels, or the complete shutdown of individual electric generating units not in compliance.

CGS Consent Decree & Consent Order. As a result of legislative and regulatory initiatives, the District is planning reductions in emissions of mercury and other pollutants at its coal-fired power plants, including plants located on the Navajo Reservation. In particular, under the terms of a consent agreement with the EPA (the "Consent Decree"), the District installed additional pollution control equipment at CGS at an approximate cost of $470 million.

The District has also negotiated a Consent Order with the ADEQ, pursuant to which the District will delay compliance with current Arizona limitations on mercury emissions until 2016, and instead implemented a control strategy designed to achieve a 70% reduction of mercury emissions at CGS on a facility-wide annual average basis as of January 1, 2012 at an estimated annual cost of $2.4 million.

Mercury and Air Toxics Standards. In February 2012, the EPA finalized its Mercury and Air Toxics Standards ("MATS") rule, which establishes new emissions standards for trace minerals, acid gases, mercury and organic compounds from existing and new coal- and oil-fired power plants under the CAA. These standards are effective in April

2015, unless one or more facilities are granted an extension under the CAA. The District submitted one-year extension requests specific to the mercury provisions of the rule for CGS and NGS and both extension requests were granted. The District has determined this rule will require new controls for mercury at the District-operated CGS and NGS facilities. The District is finalizing the control strategy at each plant and will permit and construct the selected strategy to meet the April 2016 deadline for compliance with the MATS mercury limit. SRP does not anticipate additional controls will be required at all of the other coal-fired plants in which the District has an interest.

Regional Haze Rule. Provisions of the EPA's Regional Haze Rule require emissions controls known as BART for coal-fired power plants and other industrial facilities that emit air pollutants that reduce visibility in Class I areas such as national parks. The District has financial interests in several coal-fired power plants that are subject to the BART requirements.

Navajo Generating Station. The EPA proposed a BART determination for NGS in January 2013. The District believes that BART for NGS requires the installation on all three units of low-NOx burners and separated over-fired air ("LNB/SOFA") which was installed on all three units at a total cost of approximately $45.0 million, of which the District's share was $9.8 million. Nevertheless, the EPA proposed a BART emissions limit for NGS of 0.055lb/MMbtu that likely will require the installation of post-combustion controls such as selective catalytic reduction ("SCR"). It is also possible that additional controls for sulfuric acid mist emissions and fine particulate matter will be required. Collectively, these controls would cost about $1.1 billion, of which the District's share would be approximately $240.0 million. Based on the proposal, achievement of the proposed BART limit would be required by 2018. The EPA also proposed an alternative that would give the NGS owners credit for previous installation of low-NOx burners, and allow SCR to be installed on one unit per year between 2021 and 2023. The EPA also invited the submittal of other alternative proposals that achieve benefits equal to or greater than the EPA's proposal. In August 2013, the District and other interested parties reached agreement on an alternative proposal (the "NGS Proposal") that was then submitted to the EPA. Under the NGS Proposal, the total NOx emissions from 2009 to 2044 would be less than the emissions allowed by the EPA's proposal. The NGS Proposal includes two alternatives. Alternative A would require ceasing coal generation on one unit or reducing generation by January 1, 2020 if certain ownership changes occur, and installing SCR or equivalent technology on two units by 2030. Alternative B would require achievement of NOx emission reductions equivalent to the shutdown of one unit between 2020 and 2030, and submittal of annual Implementation Plans describing the operating scenarios to be used to achieve greater NOx emissions reductions than the EPA's proposal. The EPA issued a supplemental proposed rule on September 25, 2013, addressing the NGS Proposal. The District submitted comments on both the original EPA proposal and the supplemental proposed rule. The EPA issued the final BART rule for NGS on August 8, 2014, adopting (with limited changes) the NGS Proposal as a better than BART determination. Four petitions for review of the final rule were filed before the Ninth Circuit by (i) The Hopi Tribe, (ii) National Parks Conservation Association, Sierra Club, Grand Canyon Trust and Natural Resources Defense Council, (iii) To' Nizhoni Ani, Black Mesa Water Coalition, and Diné Citizens Against Ruining the Environment ("Diné CARE"), and (iv) Vincent Yazzie. The District was granted intervention in all four appeals, as were three other intervener parties. The four appeals have been consolidated and a briefing schedule has been established. The Ninth Circuit granted the Hopi Tribe and EPA's joint motion to sever the Hopi Tribe's petition to allow EPA and the Hopi Tribe to continue settlement discussions and set a separate briefing schedule. It is too soon to predict the outcome of this matter.

Coronado Generating Station. The District submitted a BART analysis to the ADEQ for CGS in 2008. The ADEQ completed its review of CGS and other BART-eligible sources and submitted a proposed Regional Haze State Implementation Plan ("SIP") to the EPA in February 2011 that, among other things, accepted current controls at CGS as BART, subject to completion of pollution control equipment additions that were installed in 2014 pursuant to the Consent Decree. By letter dated November 17, 2011, the EPA indicated that it planned to develop a partial Regional Haze Federal Implementation Plan ("FIP") for the State of Arizona, including potentially revisiting the BART determination for CGS to determine whether any additional pollution controls are warranted, such as the addition of SCR on the remaining unit. On December 5, 2012, the EPA finalized the FIP which imposes new emissions limits for PM, SO_2, and NOx under the BART provisions of the rule. The emissions limit for NOx will require installation of a second SCR system at CGS. The projected capital cost to the District of additional SCR at CGS is approximately $110 million. The District must meet the new limits by January 4, 2018. The District filed for judicial review of the final FIP with the U.S. Court of Appeals for the Ninth Circuit and filed an Administrative Petition for Reconsideration with EPA. In April 2013, the EPA sent a letter to the District indicating it would grant the District's Petition for Reconsideration on a limited subset of the concerns listed in the petition. The EPA published the notice

granting the petition in the Federal Register on March 31, 2015 and requested comments by May 15, 2015. No requests for hearing were submitted. Briefing on the merits in the Ninth Circuit is completed. On January 16, 2015, the District filed a Motion for Stay in the Ninth Circuit, which the Ninth Circuit denied on February 20, 2015. The Ninth Circuit held oral argument on March 9, 2015 and has not yet ruled. Concurrently, the District has been engaged in discussions with EPA to resolve this matter. It is too soon to predict the outcome of this matter.

Four Corners Generating Station. On August 6, 2012, the EPA issued its final BART determination for Four Corners which required the installation of SCRs on all five units, or the closure of Units 1, 2 and 3 and SCRs on Units 4 and 5. SCRs for Units 4 and 5 could cost $530.0 million, of which the District's share would be $53.0 million. On December 30, 2013, APS, on behalf of the Four Corners owners, notified EPA that they had chosen the alternative BART compliance strategy requiring the permanent closure of Units 1, 2 and 3 by January 1, 2014 and installation and operation of SCRs on Units 4 and 5 by July 31, 2018.

Craig and Hayden Generating Stations. The BART determinations for District-owned generating stations in Colorado were finalized on December 31, 2012. The final determination will require installation of new emission control equipment on Craig Units 1and 2, and Hayden Unit 2. Tri-State, the operating agent for Craig, has provided the EPA with an estimate of approximately $213.1 million to install the emission control equipment at Craig Units 1 and 2, of which the District's share would be $62.0 million, with the necessary equipment to be in service by May 2017. In February and March 2013, two petitions for judicial review of the BART determination for Craig were filed by environmental organizations with the U.S. Court of Appeals for the Tenth Circuit. The Colorado Department of Public Health and Environment, Tri-State Generation and Transmission Association, PacifiCorp, and Public Service Company of Colorado d/b/a/ Xcel Energy were granted intervention in one or both cases. On July 10, 2014, a motion was filed with the Court indicating that certain of the parties to the litigation had reached a settlement that, if adopted as a final rule, would further reduce NOx emissions limits for Craig Unit 1 from 0.028 lb/MMBtu, on a 30-day rolling average, to 0.07 lb/MMBtu, calculated on a 30 boiler-operating day rolling average, with a compliance deadline of August 31, 2021. No changes would be required for Craig Unit 2, which continues to have a compliance deadline of May 2017. The lawsuits are stayed pending the governmental approval and public notice process. PacifiCorp, one of the owners of Craig Unit 1 and an intervener in the appeals, objected to the settlement, arguing the settlement agreement is inappropriate, improper, inadequate, or inconsistent with the requirements of the Clean Air Act. On November 20, 2014, the Colorado Department of Public Health & Environment approved a revised Regional Haze Plan that adopts the settlement. The revised Regional Haze Plan was presented to and approved by the Colorado legislature during the Spring 2015 legislative session. Tri-State is expecting EPA approval of the revised Regional Haze Plan by December 31, 2016. Depending on the final provisions of the EPA's Clean Power Plan rule, the installation of new emission control equipment for Craig Unit 1 would commence between August 2017 and August 2018. It is too soon to predict the outcome of this matter.

According to Xcel Energy, the operating agent for Hayden, installation of SCR on Hayden Unit 2 would cost approximately $72.0 million, of which the District's share would be $36.0 million. The new emission control equipment is required to be in service by July 2016.

EPA GHG Regulations. The District recognizes the growing importance of the issues concerning climate change (global warming) and the implications they could have on its operations, so it is closely monitoring climate change and other legislative and regulatory developments at the federal, state and regional levels.

The EPA has moved forward with its efforts to regulate emissions of GHG. In December 2009, the EPA found that emissions of greenhouse gases endanger public health and welfare. In April 2010, the EPA issued a "timing" rule that allows the EPA to regulate emissions of GHG by stationary sources, such as power plants. Subsequently, the EPA released its "tailoring" rule, which specifies thresholds that trigger permitting requirements for sources of GHG emissions. The rule applied to power plants beginning January 2, 2011. However, on June 23, 2014, the Supreme Court in *Utility Air Regulatory Group v. EPA*, rejected EPA's tailoring rule.

New Power Plant Performance Standards. In March 2012, the EPA proposed a separate rule that would establish a single performance standard for carbon dioxide ("CO_2") emissions from new power plants. These standards would apply to all newly constructed fossil-fuel-fired facilities. Under direction from the President, EPA revised and re-proposed this rule on September 20, 2013, and subsequently published this proposed rule on January 8, 2014. The revised rule establishes separate CO_2 performance standards for coal-fired units and natural gas-fired

units. For new units, these standards are based on the use of carbon capture and storage ("CCS") for coal-fired utility boilers and integrated gasification combined cycle ("IGCC") units, and the most efficient generating technology for natural gas-fired stationary combustion turbines.

Modified and Reconstructed Power Plant Performance Standards. On June 2, 2014, the EPA issued proposed rules to establish performance standards to reduce CO_2 emissions from modified and reconstructed fossil-fuel-fired power plants. The proposed standards presume use of the most efficient generating technology available. The District submitted comments on October 16, 2014 on the proposal.

Clean Power Plan. On June 2, 2014, the EPA issued a proposed rule that would establish enforceable guidelines for states to follow to reduce GHG emissions, specifically CO_2 emissions, from existing fossil-fuel-fired electric generating units ("EGUs"). The proposal, entitled the "Clean Power Plan," would reduce CO_2 emissions from the U.S. electricity sector by 30% from 2005 levels by 2030. However, EPA established different goals for each state depending on the state's generation mix. EPA's proposed final goal for Arizona would require a 52% reduction in CO_2 emissions intensity by 2030 from the proposed baseline year of 2012. EPA's proposed interim goal for Arizona requires Arizona to achieve 90% of the total reductions required by EPA as early as 2020, the first year of the 10-year interim period. In developing the goals for Arizona, EPA assumed that all of the in-state coal-fired generation would be replaced by natural gas and other generation by the year 2020. The District is actively engaged at the state, regional, and federal level to seek modifications to the rule as proposed. These efforts have focused primarily on the overall stringency of the reductions and the timing of the reductions. The District submitted comments to the EPA on the Clean Power Plan for existing EGUs on November 24, 2014.

On November 4, 2014, the EPA published a Supplemental Proposal to the Clean Power Plan to address CO_2 emissions from EGUs located on tribal lands. The Supplemental Proposal uses the same analytical framework as the Clean Power Plan proposal for states that prescribes rate-based emission standards. However, in the case of the proposed rule for tribal lands, so long as rate-based goals are converted to mass based goals, both Four Corners and NGS should be able to achieve the emission goals without any additional actions beyond the shutdowns or curtailments that are required under the regional haze requirements. The District submitted its comments on the proposed rule for EGUs located on tribal lands on December 19, 2014.

The EPA plans to finalize the various GHG rules for power plants in the summer of 2015. The District cannot predict the impact of these rules on its operations or finances at this time. While the implications to the District will not be clear until final rules are released by the EPA, prior to EPA's proposal, the District already has taken significant and material action to reduce its carbon emissions intensity. In 2004, the District Board directed management to enhance its resource portfolio by adding significant amounts of renewable energy and other sustainable resources through the development of the SPP. The SPP has matured and intensified over the years and the most recent revision to the SPP, approved by District's Board in 2011, requires the District to meet 20% of its expected retail energy requirements with sustainable (zero carbon) resources by 2020. The District has already reduced system-wide carbon intensity by 18% from Fiscal Year ("FY") 2006 through FY2012 and has been working to further enhance this performance. The current plan is to achieve an additional 34% reduction by FY2031 while managing the economic impact to customers and protecting grid reliability. See "ELECTRIC SYSTEM — Sustainable Resource Portfolio" for a further discussion of the District's planning efforts related to GHG emissions.

National Ambient Air Quality Standards. Pursuant to the CAA, the EPA is required to review and, if appropriate and necessary, revise each of the established National Ambient Air Quality Standards ("NAAQS") at five-year intervals. The current NAAQS for ozone, which was set at 75 parts per billion ("ppb") on an 8-hour average in 2008, was required to be reviewed by the EPA no later than 2013. Because this schedule was not met, EPA was sued by a number of environmental groups. Subsequently, a court order was issued requiring EPA to issue a proposed rule based on review of the ozone NAAQS no later than December 1, 2014. EPA issued a proposed rule to revise the ozone NAAQS on November 25, 2014. The proposal does not recommend a specific value for the new standard. Instead, the proposal indicates that EPA is considering a revised ozone NAAQS in the range of 65 to 70 ppb on an 8-hour average for both the primary and secondary standards. EPA is also accepting comments on revising the ozone NAAQS to a value as low as 60 ppb or maintaining the current standard at 75 ppb. EPA provided a 90-day comment period on the proposed rule, and the District submitted comments to the proposed rule on March 17, 2015.

The revised ozone NAAQS, if finalized in the currently proposed range, is expected to impact attainment designations in Arizona. Currently, Maricopa County and Pinal County are designated as partial nonattainment for the 2008 standard. Based on current monitoring data, it is expected Arizona will have an expansion of its nonattainment areas if the ozone standard is lowered below 75 ppb. An expansion of Arizona's ozone nonattainment designations will have implications on the construction of new sources that emit NOx and VOCs – precursors to ozone formation – because the air permitting process in nonattainment areas is more stringent. After the effective date of the final designations (anticipated between October 2017 and October 2018), no permit may be issued for a new stationary source, or for a project at an existing stationary source in a nonattainment area, except in conformance with applicable Nonattainment New Source Review ("NNSR") requirements. The District is currently analyzing the proposed regulation and cannot predict the impact of this rule on its operations or finances at this time.

California and Nevada. The California Legislature has enacted various GHG laws. As a result LADWP, one of the participants in NGS, and SCE, a participant in Four Corners Units 4 and 5, are precluded from extending their interests in the plants beyond a certain time period. SCE has sold its interest in Four Corners Units 4 and 5 to APS. LADWP has indicated its intention to exit NGS. See "THE ELECTRIC SYSTEM — Existing and Future Resources — Navajo Generating Station" for discussion of the District's potential acquisition of LADWP's 21.2% interest in NGS. The District is still analyzing these actions and cannot predict the impact on its operations or finances at this time.

Legislation also was passed by the Nevada legislature which requires NV Energy, one of the participants in NGS, to withdraw from the plant by the end of 2019. In addition, El Paso Electric Co., on February 17, 2015, agreed to sell its 7% interest in Four Corners Units 4 and 5 to APS. The District is still analyzing these actions and cannot predict the impact on its operations or finances at this time.

Implementation of caps or taxes on emissions of GHG or other air pollutants from fossil fuel power plants would substantially increase the cost of, and add to the difficulty of siting, constructing, and operating electric generating units. As a result of legislative and regulatory initiatives, the District is planning emission reductions at its coal-fired power plants, including plants located on the Navajo Reservation. The full significance of air quality standards and emission reduction initiatives to the District in terms of costs and operational problems is difficult to predict, but it appears that costly equipment may likely be added to existing units, that the cost of fossil fuel purchased by the District may increase and that permit fees may increase significantly resulting in potentially material cost to the District as well as reduced generation. The District is continually assessing the risk of policy initiatives on its generation assets and is developing contingency plans to comply with future laws and regulations relating to generation facilities and reduction of GHG emissions and other air pollutants. The District cannot predict at this time the extent to which new legislation or rules will affect the District's operations, the impact of any initiatives on the District at this time and, if such laws or rules are enacted, what the costs to the District might be because of such action.

In addition, the District is unable to predict the impact of climate change and the greenhouse effect more generally on the District and its operations and markets. However, such impact may include, for example, effects on the District's operations directly or indirectly through customers or the District's supply chain, increased capital expenditures, costs to purchase or profits from sales of allowances or credits under a "cap-and-trade" system, increased raw material and equipment costs, increased insurance premiums and deductibles as new actuarial tables are developed to reshape coverage, a change in competitive position relative to industry peers and changes to profit or loss arising from increased or decreased demand for the District's production, changes in human population patterns, and potential physical impacts such as changes in rainfall patterns, shortages of water or other natural resources, changing surface water and groundwater levels, changing storm patterns and intensities, and changing temperature levels.

Solid and Hazardous Waste Management. Many normal activities in connection with the operation of the District generate hazardous and non-hazardous wastes. Federal, state, and local laws and regulations governing waste management impose strict liability for cleanup costs and damages resulting from hazardous substance release or contamination, regardless of time or location, on those who generate, transport, store, treat, or dispose of hazardous wastes. At any given time, various District facilities may be subject to inspection by federal, state, or local regulatory authorities to determine compliance with laws and regulations pertaining to hazardous and non-hazardous waste management, and District facilities may be included in studies of contaminated sites by federal and state regulatory

authorities. The District has established a plan for managing hazardous waste to ensure compliance with applicable laws and regulations, and independently assesses its facilities to determine whether there is any contamination resulting from its activities. From time to time the District and the Association receive inquiries from regulatory authorities about the status of various contaminants at the District's facilities, and respond as appropriate.

In 2010, the EPA issued a proposed rule seeking comments on whether to regulate the handling and disposal of coal combustion residuals ("CCRs"), such as fly ash, bottom ash and flue gas desulfurization sludge ("FGD") sludge as solid or hazardous waste. The District disposes of CCRs in dry landfill storage areas at CGS and NGS, with the exception of wet surface impoundment disposal of FGD sludge at CGS. Both CGS and NGS sell a portion of their fly ash for beneficial reuse as a constituent in concrete production. The District also owns interests in joint participation plants, such as Four Corners, Craig, Hayden and Springerville, which dispose of CCRs in dry storage areas and in wet surface impoundments ash ponds. The EPA issued a final rule on December 19, 2014 that establishes federal criteria for management of CCRs as solid non-hazardous waste. The rule was published in the Federal Register on April 17, 2015 and will be effective on October 14, 2015. The rule generally requires any existing unlined CCR surface impoundment that is contaminating groundwater above a certain protection standard to stop receiving CCRs and either retrofit or close the impoundment, and further requires the closure of any CCR landfill or surface impoundment that cannot meet the applicable performance criteria for location restrictions or structural integrity. At this time, the District is analyzing the operations that would be covered by the rule and it is too early to estimate compliance costs. However, SRP expects to incur additional costs in the future to comply with this new rule which may include costs for new monitoring wells, compliance monitoring and the eventual closure of residual ponds and storage areas.

Water Quality. In addition, Arizona has an extensive regulatory system governing water quality, including permit programs for discharges to surface water and to groundwater, and a superfund program to clean up groundwater contamination. Twelve state superfund sites and seven federal superfund sites targeting contamination of the groundwater are active within the greater Phoenix metropolitan area. The Association has agreed with other responsible parties to clean up one federal superfund site, and preliminary reports have identified one current District facility as a possible source of contamination for another superfund site. The full impact, in terms of cost and operational problems, to the District of the reports or laws and regulations pertaining to water quality cannot be quantified at this time.

Endangered Species. Several species listed as threatened or endangered under the Endangered Species Act ("ESA") have been discovered in and around reservoirs on the Salt and Verde Rivers, as well as C.C. Cragin Reservoir operated by the District. Potential ESA issues also exist along the Little Colorado River in the vicinity of the Coronado and Springerville Generating Stations. The District obtained Incidental Take Permits ("ITPs") from the United States Fish and Wildlife Service ("USFWS"), which allow full operation of Roosevelt Dam on the Salt River and Horseshoe and Bartlett Dams on the Verde River. The ITPs, and associated Habitat Conservation Plans ("HCPs"), identify the obligations, such as mitigation and wildlife monitoring, the District must undertake to comply with the ESA. The District has established trust funds to pay mitigation and monitoring expenses related to the implementation of both the Roosevelt HCP and Horseshoe-Bartlett HCP and believes it has recorded adequate reserves as a part of its environmental reserves to cover its related obligations. The District continues to assess the potential ESA liabilities along the Little Colorado River and at C.C. Cragin, and is working closely with the USFWS and other state and federal agencies to address potential species concerns as necessary, but cannot predict the ultimate outcome at this time.

On May 12, 2014, the USFWS and the National Marine Fisheries Services ("Services") published two ESA rules and one draft policy document, each addressing the designation and protection of critical habitat. The proposed rules and policy increase the discretion of the Services to designate broad areas of occupied and unoccupied habitat as critical habitat. Once critical habitat is designated, the ESA prohibits other federal agencies from engaging in actions that adversely modify critical habitat. The proposed rule and policy are considered to be among the most significant developments involving critical habitat designation in years.

The District reviewed the proposed rules and policy to determine potential impacts to the District's HCPs, on-going operations and new projects and developed comment letters addressing specific issues and concerns from both a water and power utility perspective. The public comment period for the proposed rules ended October 9, 2014. The District cannot predict the outcome at this time.

USFWS is proceeding with listings for species that may be located in areas where SRP has water and power utility operations. USFWS has finalized the listing of the Northern Mexican and Narrowheaded garter snakes as threatened. The final rule was published on July 8, 2014. Critical habitat for these species has been proposed and the District is awaiting the draft economic analysis and environmental assessment for the critical habitat proposal.

USFWS also proposed on October 3, 2013, to list the western distinct population segment of the Yellow-billed cuckoo as threatened. Subsequent to this proposal, the USFWS published a proposed rule on August 15, 2014 designating proposed critical habitat for this species. The District submitted comments on the proposed listing and the proposed critical habitat designation. USFWS is expected to issue a proposed rule listing the roundtail chub as a threatened species during this current federal fiscal year. USFWS will also be making decisions on whether to list the Sonoran desert tortoise and the Tucson shovel-nosed snake as a threatened species in the very near future. These species are part of the Multi-District Litigation Settlement and, as such, the USFWS must make a decision to list the species or state that listing is not warranted.

Nuclear Plant Matters

Under the Nuclear Waste Policy Act of 1982, the District pays $0.001 per kWh on its share of net energy generation at PVNGS to the U.S. Department of Energy ("DOE"). To date, however, for various reasons, the DOE has not constructed a site for the storage of spent nuclear fuel. Accordingly, APS has constructed an on-site dry cask storage facility to receive and store PVNGS spent fuel. PVNGS has sufficient capacity to store a portion of the fuel that will be spent during the period of extended operation, which will end in December 2047. Potentially, and depending on how the NRC rules on the future unloading of spent fuel pools, PVNGS could use high capacity storage casks to store the balance of any fuel spent during the extended license period.

The NRC has adopted decommissioning rules which require reactor operators to certify that sufficient funds will be available for decommissioning the contaminated portion of nuclear plants in the form of prepayments or external sinking funds, either of which must be segregated from the licensee's assets and outside its administrative control, or by the surety of insurance payable to a trust established for decommissioning costs. The District is collecting funds through its price plans to decommission its share of PVNGS Units 1, 2 and 3. In February 2011 PVNGS received approval for a 20-year operating license renewal from the NRC. As a result, the projected shutdown of PVNGS has been moved from 2024 to 2047. The District projects that it will accumulate $391 million in 2014 dollars over the life of PVNGS for this purpose. The decommissioning funds are maintained in an external trust in compliance with NRC regulations. The District anticipates being able to continue to collect decommissioning funds in a competitive generation market.

In response to the nuclear event in Fukushima, Japan in March 2011, the NRC issued two Orders and a Request for Information on March 12, 2012, that are applicable to PVNGS. The Orders require upgraded means to mitigate any beyond-design-basis external events (e.g. seismic, external flooding, security related, etc.), and installation of upgraded instrumentation to monitor spent fuel pool levels. In the Request for Information, licensees are asked for additional site specific information to allow the NRC to determine compliance with each licensee's existing design basis regarding hazard evaluations (e.g. maximum seismic level, maximum flood level, etc.) and to determine whether additional regulatory actions are appropriate. The Orders and Request for Information have specific time frames for their various requested actions, with some actions not being due until 2016. APS, the project manager and operator, has already ordered and has been receiving additional pumps, generators, fire trucks, and level instrumentation necessary to comply with the Orders. It is anticipated that PVNGS will meet all compliance requirements on schedule or will receive any necessary waivers or extensions for any items that may have limited availability or require additional time for complete installation. Costs associated with purchasing and installing necessary equipment are expected to be handled through the normal PVNGS budgeting process and are not expected to have a material impact on the District's financial plan.

Summary

As discussed above, the electric utility industry is experiencing challenges in a number of areas. The District is unable to predict the extent to which its construction programs and operations will be affected by such factors, but they could result in incurrence of substantial additional costs and could adversely affect its revenues.

LITIGATION

At the time of delivery of and payment for the 2015 Series A Bonds, the law firm of Jennings, Strouss & Salmon, P.L.C., Phoenix, Arizona, legal advisors to the District, will deliver a no-litigation opinion stating substantially that, no litigation is now pending or, to its knowledge threatened, affecting or questioning the organization of the District or the titles or manner of election of the officers or directors of the District to their terms of office, respectively; and no litigation is now pending or, to its knowledge threatened, affecting or questioning the power and authority of the District to issue, execute and deliver the 2015 Series A Bonds or the pledge or application of any moneys or security provided for the payment thereof.

In the normal course of business the District is a defendant in various legal actions. In management's opinion, except as otherwise noted below, the ultimate resolution of these matters will not have a significant adverse effect on the District's financial position or operations.

Environmental Issues

Navajo Environmental Laws. In 1995, the District, on behalf of the Navajo Generating Station Participants (the "NGS Participants"), filed a lawsuit in the Navajo Nation District Court against the Navajo Nation, its Environmental Protection Agency and the Agency's Director as a result of the defendants' attempts to apply three of the Navajo Nation's environmental laws against NGS and the NGS Participants. These laws are the Navajo Nation Air Pollution Prevention and Control Act, the Navajo Nation Safe Drinking Water Act, and the Navajo Nation Pesticide Act. The District contends that the NGS Plant Site Lease, the Section 323 Grants by the United States for the NGS Plant Site and Railroad, and federal law preclude application of these laws to NGS and the NGS Participants. APS, on behalf of the Four Corners Participants, filed a lawsuit challenging the same laws on similar grounds. Both actions were served on the defendants; however, all parties agreed to stay the litigation pending settlement discussions.

In July 2000, the District filed a separate action in the Navajo Nation Supreme Court, requesting that the Court review final regulations that were issued by the Navajo Nation Environmental Protection Agency pursuant to the Navajo Air Quality Statute. APS filed a similar petition in a separate action with the Navajo Nation Supreme Court. The Court stayed these proceedings pending settlement discussions.

In May 2005, the District and APS, as operating agents for the NGS and Four Corners Participants, respectively, entered into Voluntary Compliance Agreements with the Navajo Nation to establish contractual authority for the Navajo Nation to regulate certain air emissions and issue certain air permits at NGS and Four Corners under rules not stricter than the EPA air rules. As a result, the parties asked the court to dismiss those portions of the above lawsuits relating to regulation of air pollution and in April 2006, the Navajo Nation Supreme Court dismissed the air regulation challenge and the Navajo District Court dismissed the air quality related claims in the District Court. The remaining District Court claims are stayed in order to allow the parties to negotiate a potential resolution of the lawsuits. See "THE ELECTRIC SYSTEM — Environmental Matters — *Navajo Generating Station and Four Corners Generating Station Units 4 and 5*" for further discussion of Navajo Nation environmental laws.

Clean Air Act. On May 5, 2010, Earthjustice, on behalf of various tribal and environmental groups, wrote to the EPA and the owners of Four Corners Units 4 and 5 providing notice of intent to sue the participants for violations of the CAA. The EPA had 60 days to determine whether to file its own action against the plant, but failed to do so, entitling Earthjustice to file suit at any time. On September 2, 2011, Earthjustice, on behalf of several environmental groups, sent APS, as operator, and the owners of Four Corners, another notice of intent to sue for CAA violations at Four Corners. Earthjustice expressed its desire to be involved in the ongoing CAA discussions between the owners and the EPA and indicated that it would file suit if it were not contacted within 60 days. APS had proposed to the EPA that these and other potential liabilities be resolved as part of the BART determination for Four Corners.

On October 4, 2011, following these earlier notices of intent to sue, Earthjustice, representing Diné CARE, To' Nizhoni Ani, Sierra Club, and National Parks Conservation Association, filed a citizen suit in the District Court of New Mexico against the owners of Four Corners, including the District, alleging violations of the prevention of significant deterioration ("PSD") provisions of the CAA. The plaintiffs alleged that the defendants made two sets of major modifications to Units 4 and 5 which allowed the plant to significantly increase its emissions of pollutants without first obtaining a PSD permit. On January 13, 2012, the District was served with a First Amended Complaint

asserting two additional claims related to Four Corners. In addition to the alleged PSD violations, the First Amended Complaint alleges violations of the New Source Performance Standards ("NSPS") arising from the same two sets of modifications. Among other things, the plaintiffs ask the court to enjoin operations at Four Corners until defendants apply for and obtain a PSD permit and comply with the NSPS, order Four Corners to install best available control technology ("BACT"), and order civil penalties, including a beneficial mitigation project. The owners of Four Corners filed two motions to dismiss all of the claims in the First Amended Complaint and briefing has been completed but the decision on those motions is stayed to allow the parties time to pursue settlement.

The District cannot predict the outcomes of these matters at this time.

Superfund Sites. In September 2003, the EPA notified the District that it might be liable under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") as an owner and operator of a facility within the Motorola 52nd Street Superfund Site Operable Unit 3. The District completed the remedial investigation at the facility and received a no further action letter from EPA, but other potentially responsible parties are still undertaking remedial investigations and feasibility studies and the District could still be liable for past costs incurred and for future work to be conducted within the Superfund Site with regard to groundwater. At the adjacent West Van Buren Water Quality Assurance Revolving Fund Site, a state superfund site, the Roosevelt Irrigation District ("RID") has sued the District and numerous other parties claiming that as a result of groundwater contamination, RID has been damaged in excess of $125 million. The District denies the allegations and intends to vigorously contest the claim. The District filed an Answer to the Second Amended Complaint. While the District is unable at this time to predict the outcome of these and other superfund matters, it believes it has recorded adequate reserves as part of its environmental reserves to cover known liabilities related to these issues.

Water Rights

Gila River Adjudication. The District and the Association are parties to a state water rights adjudication proceeding initiated in 1974 which encompasses the entire Gila River System (the "Gila River Adjudication"). This proceeding is pending in the Superior Court for the State of Arizona, Maricopa County, and will eventually result in the determination of all conflicting rights to water from the Gila River and its tributaries, including the Salt and Verde Rivers. The District and the Association are unable to predict the ultimate outcome of the proceeding.

Little Colorado River Adjudication. In 1978 a water rights adjudication was initiated in the Apache County Superior Court for the State of Arizona with regard to the Little Colorado River System, and will eventually result in the determination of all conflicting rights to water from the Little Colorado River and its tributaries, including East Clear Creek, the location of C. C. Cragin Dam and Reservoir. The District is unable to predict the ultimate outcome of this proceeding, but believes an adequate water supply for CGS will remain available and that the rights to C. C. Cragin Dam and Reservoir will be confirmed.

Coal Supply

Black Mesa Environmental Impact Statement. In 2008, the Office of Surface Mining ("OSM") issued an Environmental Impact Statement ("EIS") to allow Peabody to add the Black Mesa Mine (which formerly served Mohave) to the permit for the Kayenta Mine (which serves NGS). Among other things, combining the two permits could eventually give Peabody access to shallower, high quality coal for NGS, which could reduce future costs to the NGS Participants and provide an additional source of coal. Under the administrative appeals process, numerous appeals of the permit decision were filed, and a decision was issued that the process OSM had followed to issue the permit was inadequate. In response to the decision, Peabody filed an application for a permit renewal for the Kayenta Mine. On January 6, 2012, the OSM approved a five-year renewal of the permit through July 6, 2015. In February 2012, three separate appeals of the renewal were filed by various environmental and tribal groups, following which the District successfully intervened in the matter. Although an Administrative Law Judge issued a decision disposing of several of the claims in the appeals, certain claims were left for hearing. The proceedings were stayed pending discussions among the parties regarding the possible resolution of some of the remaining claims. A settlement agreement was executed with all parties except the Black Mesa Trust ("BMT") and The Forgotten People ("TFP"). The Administrative Law Judge ("ALJ") subsequently dismissed all of the remaining requests for review by TFP and BMT. On August 30, 2014, TFP filed a Petition for Discretionary Review before the Interior Board of Land Appeals arguing that several issues were not sufficiently resolved or mooted by the settlement agreement. Peabody and OSM filed responses arguing TFP has not alleged any errors in the ALJ's decision and therefore the

petition should be denied. There has been no decision issued. The District cannot predict the outcome of this matter at this time.

Navajo Mine Permit. BHP Billiton Limited ("BHP"), through a subsidiary, BHP Navajo Coal Company ("BNCC") operates the Navajo Coal Mine, which supplies Four Corners Units 4 and 5. On December 30, 2013, BHP sold its ownership of BNCC to Navajo Transitional Energy Company, LLC ("NTEC"), a company formed by the Navajo Nation to own the Navajo Coal Mine and develop other energy projects. OSM finalized the transfer of the Surface Mining Control and Reclamation Act of 1977 ("SMCRA") permit from BHP to NTEC. Several environmental groups filed a lawsuit challenging the mining permit and expanded operations. If this lawsuit is successful, it would result not only in increased cost of mining operations, which would be passed to the owners of Four Corners, but could result in the suspension or termination of mining activities. APS, as operating agent of Four Corners, is working with NTEC, which intervened in the lawsuit, to allow the expansion and continuation of the Navajo Coal Mine. On March 2, 2015, the Court ruled that OSM failed to adequately consider the combustion-related effects of NTEC's proposed expansion of operations at the Navajo Coal Mine and granted the environmental groups' Petition for Review. The Court ordered the parties to confer in an effort reach an agreement with respect to the appropriate remedy. The parties were unable to reach an agreement and as required by the order, the parties submitted briefs proposing an appropriate remedy. On April 6, 2015, the Court vacated OSM's approval of NTEC's Permit Revision Application pending OSM's compliance with NEPA, thereby suspending mining activities in a relatively small portion of the Navajo Coal Mine. On April 8, 2015, NTEC filed its Notice of Appeal of the Court's orders. NTEC asked the Tenth Circuit for an emergency stay of the lower Court's orders arguing that even a brief partial interruption in its mining operations could have "catastrophic" consequences for the tribe. The Tenth Circuit denied NTEC's motion stating that NTEC failed to make the requisite showing that an emergency stay is justified. There remains sufficient coal in approved mining areas to supply coal to Four Corners Units 4 and 5 through July 2018. The District cannot predict the outcome of this lawsuit at this time.

Trapper Mine Permit. On February 27, 2013, Wild Earth Guardians ("WEG") filed suit in the U.S. District Court for the District of Colorado against the OSM, Al Klein, the Western Regional Director of the OSM and Secretary of the Interior Ken Salazar ("Secretary") (the "Complaint"). In the Complaint, WEG alleges that the OSM violated the National Environmental Policy Act ("NEPA") and the Administrative Procedure Act ("APRA") by "unlawfully approving mining plans for the Colowyo and Trapper Mines in Colorado" and the plans of five other mines located in Montana, New Mexico and Wyoming. The District owns a 32.1% interest in Trapper Mining Inc. ("Trapper"), which owns the Trapper Mine. Trapper Mine serves Craig Generating Station, in which the District owns 29% of Units 1 and 2. WEG alleges, among other things, that the Secretary's approval of Trapper's 2009 modification to its existing mining plan (the "2009 Trapper Plan") violated the terms of NEPA and the APRA on various grounds. WEG asks the Court to reverse the Secretary's approval of the 2009 Trapper Plan and enjoin Trapper from continuing its mining operations until OSM demonstrates compliance with NEPA and the APA when considering approval of the 2009 Trapper Plan. Trapper has intervened in the suit. Briefing is now complete and oral arguments were concluded on April 24, 2015. The District cannot predict the outcome of this lawsuit at this time.

Except as indicated, the District is unable to predict the outcome of the coal supply litigation matters at this time, but does not believe that the final resolution of these matters will have material adverse effects on its operations or financial condition.

2015 Price Process Litigation

SolarCity Corporation, an active participant in the District's 2015 price process proceedings, filed a lawsuit against the District in Arizona Federal District Court on March 2, 2015, alleging, among other things, that the District, by its adoption of the new E-27 Customer Generation Price Plan for distributed generation customers, acted unlawfully in an effort to preserve its existing monopoly over the retail provision of electric power for consumers and businesses. The lawsuit asserts claims for unspecified damages and injunctive relief pursuant to federal antitrust laws, claims for injunctive relief under Arizona antitrust laws, and claims for injunctive relief based on Arizona law for intentional interference with prospective economic advantage and intentional interference with agreements between SolarCity and its prospective and current customers. While it is too soon to predict the outcome of this matter, the District believes the lawsuit is without merit and will aggressively defend the lawsuit.

LEGALITY OF REVENUE BONDS FOR INVESTMENT

Under the Act, the 2015 Series A Bonds constitute legal investments for savings banks, banks, savings and loan associations, trust companies, executors, administrators, trustees, guardians and other fiduciaries in the State of Arizona and for any board, body, agency or instrumentality of the State of Arizona, or of any county, municipality or other political subdivision of the State of Arizona, and constitute securities which may be deposited by banks, savings and loan associations or trust companies as security for deposits of state, county, municipal and other public funds.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase from the District all, but not less than all, of the 2015 Series A Bonds at an aggregate purchase price of $1,002,706,523.37, reflecting an original issue premium of $79,097,681.25 less an underwriters' discount of $881,157.88 from the initial public offering prices set forth on the inside cover page of this Official Statement.

The following two paragraphs have been furnished by the Underwriters for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the information contained in such paragraphs and such information is not to be construed as a representation of the District.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

The initial public offering prices or yields set forth on the inside cover page may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Bonds to certain dealers, unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside cover pages.

The following paragraph has been furnished by Goldman, Sachs & Co., one of the Underwriters, for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the information contained in such paragraph and such information is not to be construed as a representation of the District.

Goldman, Sachs & Co. ("Goldman Sachs"), one of the Underwriters of the 2015 Series A Bonds, has entered into a master dealer agreement (the "Master Dealer Agreement") with Incapital LLC ("Incapital") for the distribution of certain municipal securities offerings, including the 2015 Series A Bonds, to Incapital's retail distribution network at the initial public offering prices. Pursuant to the Master Dealer Agreement, Incapital will purchase 2015 Series A Bonds from Goldman Sachs at the initial public offering price less a negotiated portion of the selling concession applicable to any 2015 Series A Bonds that Incapital sells.

The following paragraph has been furnished by Citigroup Global Markets Inc., one of the Underwriters, for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the information contained in such paragraph and such information is not to be construed as a representation of the District.

Citigroup Global Markets Inc., an underwriter of the 2015 Series A Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor networks of UBSFS and the electronic primary offering platform of TMC. As part of

this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the 2015 Series A Bonds.

The following paragraph has been furnished by Morgan Stanley & Co. LLC, one of the Underwriters, for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the information contained in such paragraph and such information is not to be construed as a representation of the District.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

The following paragraph has been furnished by J.P. Morgan Securities LLC, one of the Underwriters, for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the information contained in such paragraph and such information is not to be construed as a representation of the District.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

TAX MATTERS

Federal Income Taxes

The Code imposes certain requirements that must be met at and subsequent to the issuance and delivery of the 2015 Series A Bonds for interest thereon to be and remain excluded from gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2015 Series A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2015 Series A Bonds. The District has covenanted to comply with the provisions of the Code applicable to the 2015 Series A Bonds, and has covenanted not to take any action or permit any action that would cause the interest on the 2015 Series A Bonds to be included in gross income under Section 103 of the Code. In addition, the District has made certain representations and certifications in the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Code. Special Tax Counsel will not independently verify the accuracy of those certifications and representations.

In the opinion of Polsinelli PC, Special Tax Counsel, under existing statutes and court decisions, and assuming compliance with the aforementioned covenants and the accuracy of certain representations and certifications made by the District described above, interest on the 2015 Series A Bonds is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. In the further opinion of Special Tax Counsel, interest on the 2015 Series A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in adjusted current earnings in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code on certain corporations.

State Taxes

Special Tax Counsel is also of the opinion that, under existing law, interest on the 2015 Series A Bonds is exempt from income taxes imposed by the State of Arizona.

Original Issue Premium

The initial public offering price of certain 2015 Series A Bonds may be greater than the stated redemption price thereof at maturity. The difference between the initial public offering price for any such 2015 Series A Bond and the stated redemption price at maturity is "original issue premium." For federal income tax purposes original issue premium is amortizable periodically over the term of a 2015 Series A Bond through reductions in the holder's tax basis for the 2015 Series A Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the 2015 Series A Bond rather than creating a deductible expense or loss. Purchasers of the 2015 Series A Bonds should consult their tax advisors for an explanation of the accrual rules for original issue premium and any other federal, state or local tax consequences of the purchase of 2015 Series A Bonds with original issue premium.

Original Issue Discount

The initial public offering price of certain 2015 Series A Bonds may be less than the stated redemption price thereof at maturity. The difference between the initial public offering price for any such 2015 Series A Bond and the stated redemption price at maturity is "original issue discount." For federal income tax purposes, original issue discount on a 2015 Series A Bond accrues to the original holder of the 2015 Series A Bond over the period of its maturity based on the constant yield method compounded annually as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the 2015 Series A Bond for determining taxable gain or loss on the maturity, redemption, prior sale or other disposition of a 2015 Series A Bond. Purchasers of the 2015 Series A Bonds should consult their tax advisors for an explanation of the accrual rules for original issue discount and any other federal, state or local tax consequences of the purchase of 2015 Series A Bonds with original issue discount.

Certain Federal Tax Consequences

Ownership of the 2015 Series A Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, banks, thrifts or other financial institutions, individuals receiving social security or railroad retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the 2015 Series A Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2015 Series A Bonds.

Commencing with interest paid in 2006, interest paid on tax-exempt obligations such as the 2015 Series A Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the 2015 Series A Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Special Tax Counsel is not rendering any opinion on any federal tax matters other than those described under the caption "TAX MATTERS". Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2015 Series A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Special Tax Counsel has not undertaken to advise in the future whether any events after the date of issuance of the 2015 Series A Bonds, including legislation, court decisions or administrative actions, whether at the federal or state level, may affect the tax-exempt status of interest on the 2015 Series A Bonds or the tax consequences of ownership of the 2015 Series A Bonds. No assurance can be given that any pending or future legislation, or clarifications or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of interest on the 2015 Series A Bonds from gross income for federal tax purposes or any state tax benefit. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2015 Series A Bonds. Prospective purchasers of the 2015 Series A Bonds should consult their own tax advisors with respect to any

pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of any future legislation, regulations or litigation, as to which Special Tax Counsel expresses no opinion.

APPROVAL OF LEGAL MATTERS

Legal matters incident to the authorization and issuance of the 2015 Series A Bonds are subject to the approval of Chiesa Shahinian & Giantomasi PC, Bond Counsel, whose final approving opinion will be delivered with the 2015 Series A Bonds in substantially the form attached hereto as Appendix C. Certain legal matters in connection with the 2015 Series A Bonds will be passed upon for the District by Jennings, Strouss & Salmon, P.L.C. and by Polsinelli PC, Special Tax Counsel, whose tax opinion will be delivered with the 2015 Series A Bonds in substantially the form attached hereto as Appendix C. Certain legal matters will be passed upon for the Underwriters by Winston & Strawn LLP, counsel to the Underwriters.

The various legal opinions and/or certification to be delivered concurrently with the delivery of the 2015 Series A Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion and/or certification, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction. Nor does the rendering of an opinion and/or certification guarantee the outcome of any legal dispute that may arise out of the transaction.

RATINGS

Moody's Investors Service and Standard & Poor's Corporation have given the ratings of Aa1 and AA, respectively, to the 2015 Series A Bonds. Such ratings reflect only the view of such organizations, and an explanation of the significance of such rating may be obtained only from the respective rating agency. There is no assurance that such ratings will be maintained for any given period of time, or that they will not be revised downward, or be withdrawn entirely by the respective rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2015 Series A Bonds.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Agreement, the District will covenant for the benefit of the holders and Beneficial Owners of the 2015 Series A Bonds to provide certain financial information and operating data relating to the District by not later than 180 days after the end of each of the District's fiscal years (presently, each April 30), commencing with the fiscal year ending April 30, 2015 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events with respect to the 2015 Series A Bonds within ten (10) business days after the occurrence of such events. The Continuing Disclosure Agreement provides that the Annual Report and any notices of such events will be filed by or on behalf of the District through the Electronic Municipal Market Access system operated by the Municipal Securities Rulemaking Board. Under the Continuing Disclosure Agreement, the sole remedy for any Bondholder upon an event of default is a lawsuit for specific performance in a court of competent jurisdiction. See "Appendix D — Form of Continuing Disclosure Agreement." The District's covenant is being made in order to assist the Underwriters in complying with the secondary market disclosure requirements of Rule 15(c)2-12 of the Securities and Exchange Commission (the "Rule").

INDEPENDENT ACCOUNTANTS

The financial statements as of 2014 and 2013 and for each of the two years in the period ended April 30, 2014, included in this Official Statement, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

FINANCIAL ADVISOR

The District has retained Public Financial Management ("PFM") as its financial advisor. Although PFM has assisted in the preparation of this Official Statement, PFM is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore Inc., a firm of independent public accountants, will deliver to the District, on or before the date of issuance of the 2015 Series A Bonds, its verification report indicating that it has verified certain information provided by the District and the Underwriters with respect to the Refunded Bonds and the 2015 Series A Bonds. Included in the scope of Causey Demgen & Moore Inc.'s procedures will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Government Obligations (as defined in the Resolutions) to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds; and (b) the mathematical computations supporting the conclusion of Special Tax Counsel that the 2015 Series A Bonds are not "arbitrage bonds" under the Code and the regulations promulgated thereunder.

The verification performed by Causey Demgen & Moore Inc. will be solely based upon data, information and documents that the District and the Underwriters caused to be provided to Causey Demgen & Moore Inc. The Causey Demgen & Moore Inc. report of its verification will state that Causey Demgen & Moore Inc. has no obligation to update the report because of events occurring, or data or information coming to its attention, subsequent to the date of the report.

OTHER AVAILABLE INFORMATION

SRP prepares audited financial statements with respect to each fiscal year ending April 30, which typically becomes available in July of the following fiscal year. SRP's financial statements are presented on a combined basis including the financial information of both the District and the Association.

SRP also prepares an annual report which includes information relating to SRP's staff, legal and financial services and operations for the fiscal year ending April 30. The annual report typically becomes available in September of the following fiscal year.

Copies of the annual report and audited financial statements for the year ended April 30, 2014 may be obtained on the District's webpage, www.srpnet.com or by writing to Salt River Project Agricultural Improvement and Power District, Corporate Communications, PAB340, P.O. Box 52025, Phoenix, AZ 85072-2025.

MISCELLANEOUS

References herein to the Act, the Resolution and certain other statutes, resolutions and contracts are brief discussions of certain provisions thereof. Such discussions do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions.

Any statements made in this Official Statement involving matters of opinion or of projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the projections will be realized.

The District has authorized the execution and delivery of this Official Statement.

Salt River Project Agricultural Improvement and Power District

/s/ David Rousseau
President

/s/ Mark B. Bonsall
General Manager and Chief Executive Officer

Attest:

/s/ Stephanie K. Reed
Corporate Secretary

APPENDIX A — REPORT OF INDEPENDENT AUDITORS AND COMBINED FINANCIAL STATEMENTS AS OF APRIL 30, 2014 AND 2013

REPORT OF INDEPENDENT AUDITORS

pwc

Independent Auditor's Report

To the Board of Directors of
Salt River Project Agricultural Improvement and
Power District and the Board of Governors of
Salt River Valley Water Users' Association

We have audited the accompanying combined financial statements of Salt River Project Agricultural Improvement and Power District and its subsidiaries and Salt River Valley Water Users' Association (collectively, "SRP"), which comprise the combined balance sheets as of April 30, 2014 and April 30, 2013, and the related combined statements of net revenues and cash flows for the years then ended.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Salt River Project Agricultural Improvement and Power District and its subsidiaries and Salt River Valley Water Users' Association at April 30, 2014 and April 30, 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

July 18, 2014

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SALT RIVER PROJECT

COMBINED FINANCIAL STATEMENTS AS OF APRIL 30, 2014 AND 2013 TOGETHER WITH REPORT OF INDEPENDENT AUDITORS

SALT RIVER PROJECT
COMBINED BALANCE SHEETS
APRIL 30, 2014 AND 2013
(Thousands)

ASSETS

	2014	2013
Utility Plant		
Plant in service -		
Electric	$ 12,859,145	$ 12,611,442
Irrigation	366,464	371,185
Common	731,053	600,527
Total plant in service	13,956,662	13,583,154
Less - Accumulated depreciation on plant in service	(6,575,764)	(6,232,557)
	7,380,898	7,350,597
Plant held for future use	41,044	41,044
Construction work in progress	514,032	498,303
Nuclear fuel, net	127,195	137,537
	8,063,169	8,027,481
Other Property and Investments		
Non-utility property and other investments	290,899	294,713
Segregated funds, net of current portion	1,092,718	986,946
	1,383,617	1,281,659
Current Assets		
Cash and cash equivalents	264,103	237,724
Temporary investments	121,202	63,074
Current portion of segregated funds	99,070	105,928
Receivables, net of allowance for doubtful accounts	254,713	236,542
Fuel stocks	48,908	82,340
Materials and supplies	153,972	148,508
Current commodity derivative assets	14,315	16,483
Other current assets	20,295	26,421
	976,578	917,020
Deferred Charges and Other Assets		
Regulatory assets	945,298	1,203,751
Non-current commodity derivative assets	6,556	9,204
Other deferred charges and other assets	48,710	49,653
	1,000,564	1,262,608
Total Assets	$ 11,423,928	$ 11,488,768

The accompanying notes are an integral part of these combined financial statements.

SALT RIVER PROJECT
COMBINED BALANCE SHEETS
APRIL 30, 2014 AND 2013
(Thousands)

CAPITALIZATION AND LIABILITIES

	2014	2013
Long-term Debt and Capital Lease Obligation	$ 4,413,028	$ 4,624,547
Accumulated Net Revenues	4,735,895	4,523,812
Total Capitalization	9,148,923	9,148,359
Current Liabilities		
Current portion of long-term debt and capital lease obligation	110,196	143,360
Accounts payable	176,727	186,384
Accrued taxes and tax equivalents	116,315	50,881
Accrued interest	64,657	69,738
Customers' deposits	89,453	88,506
Current commodity derivative liabilities	8,140	20,180
Other current liabilities	231,578	217,256
	797,066	776,305
Deferred Credits and Other Non-current Liabilities		
Accrued postretirement liability	941,442	1,074,592
Asset retirement obligations	152,886	131,764
Non-current commodity derivative liabilities	46,375	72,548
Other deferred credits and other non-current liabilities	337,236	285,200
	1,477,939	1,564,104
Commitments and Contingencies (Notes 7, 9, 11, 12, and 13)		
Total Capitalization and Liabilities	$ 11,423,928	$ 11,488,768

The accompanying notes are an integral part of these combined financial statements.

SALT RIVER PROJECT
COMBINED STATEMENTS OF NET REVENUES
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013
(Thousands)

	2014	2013
Operating Revenues		
Retail electric	$ 2,587,467	$ 2,566,464
Other electric	67,535	68,076
Wholesale	311,655	174,093
Water	14,171	15,163
Total operating revenues	2,980,828	2,823,796
Operating Expenses		
Power purchased	374,549	318,598
Fuel used in electric generation	652,357	555,566
Other operating expenses	724,192	672,049
Maintenance	283,084	321,192
Depreciation and amortization	480,506	441,371
Taxes and tax equivalents	160,492	141,788
Total operating expenses	2,675,180	2,450,564
Net operating revenues	305,648	373,232
Other Income		
Investment income, net	75,515	70,371
Other income (deductions), net	21,226	(11,775)
Total other income, net	96,741	58,596
Net revenues before financing costs	402,389	431,828
Financing Costs		
Interest on bonds, net	178,379	183,434
Capitalized interest	(14,641)	(15,859)
Amortization of bond discount/premium and issuance expenses	(17,311)	(18,979)
Interest on other obligations	43,879	48,212
Net financing costs	190,306	196,808
Net Revenues	$ 212,083	$ 235,020

The accompanying notes are an integral part of these combined financial statements.

SALT RIVER PROJECT
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30, 2014 AND 2013
(Thousands)

	2014	2013
Cash Flows from Operating Activities		
Net Revenues	$ 212,083	$ 235,020
Adjustments to reconcile net revenues to net cash provided by operating activities:		
Depreciation and amortization	480,506	441,371
Amortization of nuclear fuel	44,424	45,362
Amortization of bond discount/premium and issuance expenses	(17,311)	(18,979)
Change in fair value of derivative instruments	(33,397)	(78,843)
Change in fair value of investment securities	(5,066)	(71,732)
Other	718	2,743
Decrease (increase) in:		
Fuel stocks and materials and supplies	27,968	3,413
Receivables, net of allowance for doubtful accounts	(18,171)	(56,823)
Other current assets	6,126	(12,149)
Deferred charges and other assets	(1,083)	3,367
Increase (decrease) in:		
Accounts payable	(18,724)	25,470
Accrued taxes and tax equivalents	65,434	(38,291)
Accrued interest	(5,081)	2,688
Customer deposits and other current liabilities	15,269	12,699
Deferred credits and other non-current liabilities	165,937	46,901
Net cash provided by operating activities	919,632	542,217
Cash Flows from Investing Activities		
Additions to utility plant, net	(530,551)	(520,562)
Plant acquisition	-	(370,182)
Proceeds from disposition of assets	4,261	13,460
Purchases of investments	(1,865,507)	(2,129,241)
Sales of investments	1,758,801	1,769,216
Maturities of investments	73,074	465,481
Net change in short-term investments related to segregated funds	(107,635)	5,014
Insurance proceeds	707	12,900
Net cash used for investing activities	(666,850)	(753,914)
Cash Flows from Financing Activities		
Proceeds from issuance of commercial paper	75,000	-
Capital lease principal payments	(13,103)	(12,117)
Repayment of long-term debt, including refundings	(288,300)	(143,025)
Net cash used for financing activities	(226,403)	(155,142)
Net Increase (Decrease) in Cash and Cash Equivalents	26,379	(366,839)
Balance at Beginning of Year in Cash and Cash Equivalents	237,724	604,563
Balance at End of Year in Cash and Cash Equivalents	$ 264,103	$ 237,724
Supplemental Information		
Cash paid for interest	$ 212,698	$ 213,099

The accompanying notes are an integral part of these combined financial statements.

(1) BASIS OF PRESENTATION:

The Company

The Salt River Project Agricultural Improvement and Power District (the District) is an agricultural improvement district organized in 1937 under the laws of the State of Arizona. It operates the Salt River Project (the Project), a federal reclamation project, under contracts with the Salt River Valley Water Users' Association (the Association), by which it has assumed the obligations and assets of the Association, including its obligations to the United States of America for the care, operation and maintenance of the Project. The District owns and operates an electric system that generates, purchases, transmits and distributes electric power and energy, and provides electric service to residential, commercial, industrial and agricultural power users in a 2,900 square mile service territory in parts of Maricopa, Gila and Pinal counties, plus mine loads in an adjacent 2,400 square mile area in Gila and Pinal counties. The Association, incorporated under the laws of the Territory of Arizona in 1903, operates an irrigation system as the agent of the District. The District and the Association are together referred to as SRP.

Principles of Combination

The accompanying Combined Financial Statements reflect the combined accounts of the Association and the District. The District's financial statements are consolidated with its wholly owned taxable subsidiaries: SRP Captive Risk Solutions, Limited (CRS), Papago Park Center, Inc. (PPC) and New West Energy Corporation (New West Energy). CRS is a domestic captive insurer incorporated primarily to access property/boiler and machinery insurance coverage under the federal Terrorism Risk Insurance Act of 2002 for certified acts of terrorism. PPC is a real estate management company. New West Energy was used to market, at retail, energy available to the District that was surplus to the needs of its retail customers and energy that might have been rendered surplus in Arizona by retail competition in the supply of generation but is now largely inactive. All material intercompany transactions and balances have been eliminated.

Possession and Use of Utility Plant

The United States of America retains a paramount right or claim in the Project that arises from the original construction and operation of certain of the Project's electric and water facilities as a federal reclamation project. Rights to the possession and use of, and to all revenues produced by, these facilities are evidenced by contractual arrangements with the United States of America.

Basis of Accounting

The accompanying Combined Financial Statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of financial statements in compliance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and disclosures of contingencies. Actual results could differ from the estimates.

By virtue of SRP operating a federal reclamation project under contract, with the federal government's paramount rights, asset ownership and certain approval rights, SRP is subject to accounting standards as set forth by the Federal Accounting Standards Advisory Board (FASAB). Entities reporting in accordance with the standards issued by the Financial Accounting Standards Board (FASB) prior to October 19, 1999 (the date the American Institute of Certified Public Accountants (AICPA) designated the FASAB as the accounting standard setting body for entities under the federal government) are permitted to continue to report in accordance with those standards. As permitted, SRP has elected to report its financial statements in accordance with FASB standards.

(2) SIGNIFICANT ACCOUNTING POLICIES:

Utility Plant

Utility plant is stated at the historical cost of construction. Capitalized construction costs include labor, materials, services purchased under contract, and allocations of indirect charges for engineering, supervision, transportation, and administrative expenses and an allowance for funds used during construction (AFUDC). The cost of property that is replaced, removed or abandoned, less salvage, is charged to accumulated depreciation. Repairs and maintenance costs are charged to maintenance expense.

The District is the recipient of various federal grants under the American Recovery and Reinvestment Act of 2009 (ARRA) and accounts for the majority of these funds as a reduction to the related assets included in utility property in the accompanying Combined Balance Sheets and as an investing activity in the Statements of Cash Flows. During the years ended April 30, 2014 and 2013, the amounts recorded related to federal grants were $6.5 million and $11.3 million, respectively.

Depreciation expense is computed on a straight-line basis over recovery periods of the various classes of plant assets. Depreciation expense for utility plant totaled $465.7 million and $426.1 million for the years ended April 30, 2014 and 2013, respectively. In fiscal year 2014, depreciation expense reflects a reduction of $8.1 million which represents the correction of balances from prior periods. SRP determined that this amount is not material to the current or prior year's financial results. The following table reflects the District's average depreciation rates on the average cost of depreciable assets for the fiscal years ended April 30:

	2014	2013
Average electric depreciation rate	3.30%	3.13%
Average irrigation depreciation rate	1.60%	1.60%
Average common depreciation rate	6.94%	6.13%

In February 2013, SRP purchased power block 1 of the Mesquite Generating Station (Mesquite) from an independent power producer (Seller). Mesquite, which entered commercial service in 2003, consists of two combined-cycle gas-fired generating power blocks, each nominally rated at 625 MW. Mesquite is located approximately 40 miles west of Phoenix, Arizona. SRP purchased 100% of power block 1, a 50% ownership interest in most of the facility's common assets and a 32.05% interest in the adjacent switchyard for approximately $370.2 million. Assets acquired include $364.7 million of plant and $5.5 million of inventory, land and other assets. In addition, the District recorded an estimated asset retirement obligation of $16.0 million as of April 30, 2013 related to legal obligations associated with the assets acquired (see Asset Retirement Obligations for additional information). Final cost studies were obtained in fiscal year 2014 and the estimated obligation was reduced to $9.2 million. The Seller will continue to own 100% of power block 2 and SRP will serve as operator for the entire facility. SRP believes this plant will meet long term load growth and customer needs at a reasonable cost.

For the years ended April 30, 2014 and 2013, there was $9.1 million and $9.4 million of non-cash investing activities related to property, plant and equipment purchases within accounts payable.

Plant Held for Future Use

Plant held for future use primarily includes the cost of land acquired for future operations, including generation, transmission and other purposes. Once development starts on the new facility, the cost is moved to construction work in progress.

Allowance for Funds Used During Construction

AFUDC is the estimated cost of funds used to finance plant additions and is recovered in prices through depreciation expense over the useful life of the related asset. AFUDC is capitalized during certain plant construction and included in capitalized interest in the accompanying Combined Statements of Net Revenue. Composite rates of 4.31% and 4.53% were applied in fiscal years 2014 and 2013 to calculate interest on funds used to finance construction work in progress, resulting in $14.6 million and $15.9 million of interest capitalized, respectively.

Nuclear Fuel

SRP amortizes the cost of nuclear fuel using the units-of-production method. The units-of-production method is an amortization method based on actual physical usage. The nuclear fuel amortization and accrued expenses for both the interim and permanent disposal of spent nuclear fuel are components of fuel expense. Nuclear fuel amortization was $44.4 million and $45.4 million in fiscal years 2014 and 2013, respectively. Accumulated amortization of nuclear fuel at April 30, 2014 and 2013 was $638.6 million and $594.2 million, respectively. (See Note [13], CONTINGENCIES, Spent Nuclear Fuel, for additional information.)

Asset Retirement Obligations

SRP accounts for its asset retirement obligations in accordance with authoritative guidance which requires the recognition and measurement of liabilities for legal obligations associated with the retirement of tangible long-lived assets. Liabilities for asset retirement obligations are recognized at fair value as incurred and capitalized as part of the cost of the related tangible long-lived assets. Accretion of the liabilities, due to the passage of time, is an operating expense and the capitalized cost is depreciated over the useful life of the long-lived asset. Retirement obligations associated with long-lived assets are those for which a legal obligation exists under enacted laws, statutes, and contracts, including obligations arising under the doctrine of promissory estoppel.

The District has identified retirement obligations for Palo Verde Nuclear Generating Station (PVNGS), Navajo Generating Station (NGS), Four Corners Generating Station (Four Corners), Mesquite, and certain other assets. Amounts recorded for asset retirement obligations are subject to various assumptions and determinations, such as determining whether an obligation exists to remove assets, estimating the fair value of the costs of removal, estimating when final removal will occur, and determining the credit-adjusted, risk-free interest rates to be utilized on discounting future liabilities. Subsequent to the initial recognition, the liability is adjusted for any revisions to the estimated future cash flows associated with the asset retirement obligation (with corresponding adjustments to utility plant), which can occur due to a number of factors, including, but not limited to, cost escalation, changes in technology applicable to the assets to be retired, changes in federal, state and local regulations, and changes to the estimated decommissioning date of the assets, as well as for accretion of the liability due to the passage of time until the obligation is settled. In addition to the Mesquite asset retirement obligation revision discussed in Utility Plant above, the PVNGS asset retirement obligation was increased by $20.5 million in fiscal year 2014 based on the receipt of an updated decommissioning cost study.

The primary cause of the increase was an increase in the total estimated costs based on current regulatory requirements.

The following table summarizes the asset retirement obligation activity of the District at April 30 (in thousands):

	2014	2013
Beginning balance, May 1	$ 131,764	$ 109,149
Additions for Mesquite	-	16,000
Revisions	13,715	-
Accretion expense	7,407	6,615
Ending balance, April 30	$ 152,886	$ 131,764

Investments in Debt and Equity Securities

SRP invests in various debt and equity securities. Debt securities that SRP has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost. Debt and equity securities that are bought and held with the likelihood of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in investment income, net. SRP has adopted the fair value option for all debt and equity securities other than those classified as held-to-maturity securities. All such securities are reported at fair value, with unrealized gains and losses included in investment income, net. SRP does not classify any securities as available-for-sale. (See Note [4] FAIR VALUE OF FINANCIAL INSTRUMENTS.)

Segregated Funds

The District sets aside funds that are segregated due to management intent and to support various purposes. The District also has certain segregated funds that are legally restricted. The following amounts are included in segregated funds in the accompanying Combined Balance Sheets at April 30 (in thousands):

	2014	2013
Segregated funds – legally restricted		
Nuclear Decommissioning Trust	$ 328,166	$ 287,975
Debt Reserve Fund	80,598	80,598
Other	30,405	25,780
Total segregated funds – legally restricted	439,169	394,353
Segregated funds – other		
Benefits funds	653,351	584,858
Debt Service Fund	99,070	105,928
Other	198	7,735
Total segregated funds – other	752,619	698,521
Total segregated funds, including current portion	$ 1,191,788	$ 1,092,874

Nuclear Decommissioning

In accordance with regulations of the Nuclear Regulatory Commission (NRC), the District maintains a trust for the decommissioning of PVNGS. The Nuclear Decommissioning Trust (NDT) funds are invested in debt and equity securities. All NDT securities are reported as trading securities. SRP has elected the fair value option for such securities. Changes in fair value related to the NDT securities are included in the nuclear decommissioning regulatory asset or liability with no impact to net income. (See Note [3] REGULATORY MATTERS, for additional information about the nuclear decommissioning regulatory asset or liability.) The NDT funds, stated at fair value, as of April 30, 2014 and 2013, were $328.2 million and $288.0 million, respectively. The NDT funds are classified as segregated funds in the accompanying Combined Balance Sheets and are exempt from federal and state income taxes. (See Note [4] FAIR VALUE OF FINANCIAL INSTRUMENTS, for additional information about the NDT.)

Cash Equivalents

Cash equivalents include money market funds and highly liquid short-term investments with original maturities of three months or less, excluding negative account balances due to outstanding checks that are included in accounts payable, those short-term investments included as part of the segregated funds, and investments included in non-utility property and other investments in the accompanying Combined Balance Sheets. (For further discussion of financial instruments, see Note [6], FAIR VALUE MEASUREMENTS.)

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided for electric customer accounts and other non-energy receivables balances based upon a historical experience rate of write-offs of accounts receivable as compared to retail electric revenues. The allowance account is adjusted periodically for this experience rate and is maintained until either receipt of payment or the likelihood of collection is considered remote, at which time the allowance account and corresponding receivable balance are written off. SRP has provided for an allowance for doubtful accounts of $1.7 million as of April 30, 2014 and 2013.

Fuel Stocks and Materials and Supplies

Fuel stocks and materials and supplies are stated at weighted average cost, and are valued using the average cost method.

Other Current Liabilities

The accompanying Combined Balance Sheets include the following other current liabilities as of April 30 (in thousands):

	2014	2013
Sick, vacation and holiday (SVHL) accrual	$ 87,559	$ 87,940
Budget billing plan	64,791	43,084
Employee Performance Incentive Compensation (EPIC)	22,604	25,505
Postretirement benefits	26,152	23,969
Other	30,472	36,758
Total other current liabilities	$ 231,578	$ 217,256

Other Income (Deductions), Net

Other income (deductions), net, includes non-operating income and expense items. In fiscal year 2013, this line includes a loss on the retirement of mechanical meters of $4.3 million. The mechanical meters were retired early due to the accelerated installation of smart meters funded by the Smart Grid Investment Grant Program (the "Program") established pursuant to the ARRA. The Program was completed in fiscal year 2014. During fiscal year 2014, the District received a reimbursement of $4.8 million for a portion of the meter write-offs recorded over the life of the Program. This reimbursement is included in Other Income (Deductions). This line item also includes the effects of various settlements and refunds related to prior years' activities.

Financing Costs

Bond discount, premium and issuance expenses are deferred and amortized using the effective interest method over the terms of the related bond issues.

Voluntary Contributions in Lieu of Taxes

As a political subdivision of the State of Arizona, the District is exempt from property taxation. In accordance with Arizona law, the District makes voluntary contributions each year to the State of Arizona, school districts, cities, counties, towns and other political subdivisions of the State of Arizona, for which property taxes are levied and within whose boundaries the District has property included in its electric system. The amount paid is computed on the same basis as ad valorem taxes paid by a private utility corporation with an allowance for certain water-related deductions. Contributions based on the costs of construction work in progress are capitalized, and those based on plant-in-service are expensed.

Revenue Recognition

SRP recognizes electric revenues when billed and accrues estimated revenue for electricity delivered to customers that has not yet been billed. The estimated revenue for electricity delivered but not yet billed is included in retail electric revenue and in receivables, net, and was $73.3 million and $77.5 million at April 30, 2014 and 2013, respectively. Some customers pay in advance under level payment billing plans. Such advance payments are deferred and included in other current liabilities in the combined balance sheets. In addition to the retail electric revenues, SRP generates revenues from wholesale, transmission, telecommunications and water activities.

Wholesale revenues include wholesale excess energy sales. Wholesale revenues are recognized when earned. Transmission revenues are earned by allowing other entities to use SRP's transmission facilities to transmit power. The transmission revenues are recognized as earned and are included in other electric revenues on the combined statement of net revenues. SRP earns telecommunications revenue by allowing companies to use SRP's infrastructure to place antennas that are used to transmit communications signals. Telecommunication revenues are recognized when earned and are included in other electric revenues on the combined statement of net revenues. SRP earns water revenues from providing water to SRP water customers through annual assessments, supplemental water assessments and various other fees and charges. Water revenues are recognized when earned and are included in water revenues on the combined statement of net revenues.

The electric industry engages in an activity called "book-out", under which some energy purchases are netted against sales and power does not actually flow in settlement of the contract. SRP presents the impacts of these financially settled contracts on a net basis, which resulted in a net reduction to revenue and purchased power expense of $56.9 million and $39.8 million for fiscal years 2014 and 2013, respectively, but which did not affect net revenues or cash flows.

Sales and Use Taxes

The District is required by various government authorities, including states and municipalities, to collect and remit taxes on certain retail sales. Such taxes are recorded on a net basis and excluded from revenues and expenses in the accompanying Combined Financial Statements.

Income Taxes

The District, as a political subdivision of the State of Arizona, is exempt from federal and Arizona state income taxes. The Association, as a private corporation, is not exempt from federal and Arizona state income taxes. However, the Association is not liable for income taxes on operations relating to its acting as an agent for the District on the basis of a settlement with the Commissioner of Internal Revenue in 1949, which was approved by the Secretary of the Treasury. The Association is liable for income taxes on activities where it is not acting as an agent of the District. Income taxes related to the District's wholly owned taxable subsidiaries' operations is not material to the accompanying Combined Financial Statements.

Concentrations of Credit Risk

Financial instruments that potentially subject SRP to credit risk consist of cash and cash equivalents, temporary and other investments, and segregated funds. Certain balances exceed Federal Deposit Insurance Corporation (FDIC) insured limits or are invested in money market accounts with investment banks that are not FDIC insured. SRP's cash and cash equivalents, temporary and other investments, and segregated funds are placed in creditworthy financial institutions, and certain money market accounts that invest in U.S. Treasury Securities or other obligations issued or guaranteed by the U.S. government, or its agencies or instrumentalities.

The use of contractual arrangements to manage the risks associated with changes in energy commodity prices creates credit risks resulting from the possibility of nonperformance by counterparties pursuant to the terms of their contractual obligations. In addition, volatile energy prices can create significant credit exposure from energy market receivables and mark-to-market valuations. The District has a credit policy for wholesale counterparties, continuously monitors credit exposures, and routinely assesses the financial strength of its counterparties. The District minimizes credit risk by dealing primarily with creditworthy counterparties, entering into standardized agreements that allow netting of exposures to and from a single counterparty, and requiring letters of credit, parent guarantees or other collateral when it does not consider the financial strength of the counterparty sufficient.

Recently Issued Accounting Standards

The FASB and International Accounting Standard Board have recently issued a new standard on revenue recognition which will be introduced into the FASB's *Accounting Standards Codification* as Topic 606 by Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The new standard replaces the previous revenue recognition guidance contained in Topic 605. SRP is required to apply the revenue standard for the fiscal year beginning May 1, 2018. SRP is currently evaluating what impact, if any, the new standard may have on its financial statements.

In December 2011, the FASB issued ASU 2011-11, Disclosures about Offsetting Assets and Liabilities, to enhance disclosure requirements for offsetting (netting) assets and liabilities in order to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of International Financial Reporting Standards (IFRS). The guidance was effective for SRP on May 1, 2013. The adoption of this new guidance resulted in additional disclosures, but did not impact the accompanying Combined Financial Statements.

Subsequent Events

SRP follows authoritative guidance which requires an entity to evaluate subsequent events through the date that the financial statements are either issued or available to be issued. Subsequent events for SRP have been evaluated through July 18, 2014, which is the date that the financial statements were issued.

(3) REGULATORY MATTERS:

The Electric Utility Industry

The District operates in a highly regulated environment in which it has an obligation to deliver electric service to customers within its service area. In 1998, Arizona enacted the Arizona Electric Power Competition Act (the Act), which authorized competition in the retail sales of electric generation, recovery of stranded costs, and competition in billing, metering and meter reading. While retail competition was available to all customers by 2001, only a few customers chose an alternative energy provider and those customers have since returned to their incumbent utilities. At this time, there is no active retail competition within the District's service territory or, to the knowledge of the District, within the State of Arizona, and the District's Direct Access Program is suspended.

Since 2006, various energy service, meter reading and meter service providers, as well as brokers have applied to the Arizona Corporation Commission (ACC) for authorization to sell competitive services in Arizona, but the ACC has not ruled on any of the applications. However, effective July 1, 2012, the ACC approved another major Arizona utility's proposed buy-through pilot program whereby a limited number of large industrial customers are now allowed to purchase generation from other providers. In addition, energy service providers, large industrial customers and merchant power plant owners have been urging the ACC to reinstate some form of retail competition

At the request of the ACC and after a lengthy public process, the ACC staff issued a report in August 2010 recommending that, should the ACC choose to revisit competition, it should do so cautiously and determine if it is in the public interest.

In May 2013, in response to various applications received, the ACC opened a further inquiry into retail competition, requesting that interested parties provide comments on a series of ACC-issued questions. The District participated in this inquiry. On September 11, 2013, the ACC voted to close its docket regarding whether it should consider deregulation of the Arizona electricity market. The ACC's action is consistent with SRP's position in its filing with the ACC on this docket.

Regulation and Pricing Policies

Under Arizona law, the District's publicly elected Board of Directors has the authority to establish electric prices. The District is required to follow certain public notice and special Board meeting procedures before implementing any changes in the standard electric price plans. The financial statements reflect the pricing policies of the District's Board.

The District's price plans include a base price component, a Fuel and Purchased Power Adjustment Mechanism (FPPAM) and an Environmental Programs Cost Adjustment Factor (EPCAF). Base prices recover costs for generation, transmission, distribution, customer services, metering, meter reading, billing and collections, and system benefits charges that are not otherwise recovered through the FPPAM or EPCAF. The FPPAM was implemented in May 2002 to adjust for increases and decreases in fuel costs. The EPCAF was implemented in November 2009 to cover costs incurred by the District to comply with requirements imposed by mandate that are related to renewable-energy, energy efficiency and climate change. Through a system benefits surcharge to the District's transmission and distribution customers, the District recovers the costs of programs benefiting the general

public, such as discounted rates for low income customers and nuclear decommissioning, including the cost of spent fuel storage.

On September 27, 2012, the District Board approved an overall 3.9% system average increase effective with the November 2012 billing cycle. This overall increase was comprised of a 3.9% base increase and a 2.4% EPCAF increase that were partially offset by a 2.4% decrease to the FPPAM.

In March 2013, the District Board approved an overall 1.2% temporary summer system average decrease effective with the May 2013 billing cycle. This overall temporary decrease was comprised of a 0.8% EPCAF decrease and a 0.4% decrease to the FPPAM, effective for the six summer billing months. Prices returned to their November 2012 level effective with the November 2013 billing cycle.

Regulatory Accounting

SRP accounts for the financial effects of the regulated portion of its operations in accordance with the provisions of authoritative guidance for regulated enterprises, which requires cost-based, rate-regulated utilities to reflect the impacts of regulatory decisions in their financial statements. SRP records regulatory assets, which represent probable future recovery of certain costs from customers through the pricing process, and regulatory liabilities, which represent probable future credits to customers through the ratemaking process. Based on actions of the Board, SRP believes the future collection of costs deferred as regulatory assets is probable. If events were to occur making recovery of these regulatory assets no longer probable, SRP would be required to write off the remaining balance of such assets as a one-time charge to net revenues. None of the regulatory assets earn a rate of return.

The accompanying Combined Balance Sheets include the following regulatory assets and liabilities as of April 30 (in thousands):

Assets	2014	2013
Pension and other postretirement benefits (Note [9])	$ 844,134	$ 1,085,753
Bond defeasance	88,163	97,197
Mohave Generating Station	13,001	20,801
Total regulatory assets	$ 945,298	$ 1,203,751

Liabilities	2014	2013
Nuclear decommissioning	$ 133,974	$ 80,932
Total regulatory liabilities	$ 133,974	$ 80,932

The pension and other postretirement benefits regulatory asset is adjusted as changes in actuarial gains and losses, prior service costs, and transition assets or obligations are recognized as components of net periodic pension costs each year and is recovered through prices charged to customers.

Bond defeasance regulatory assets are recovered over the remaining original amortization periods of the reacquired debt ending in various years through fiscal year 2032.

The Mohave Generating Station regulatory asset is being recovered on a straight-line basis over a ten-year period ending in fiscal year 2016.

The nuclear decommissioning regulatory liability is being deferred over the life of PVNGS and is being recovered through a component of the system benefits charge. Any difference between current year costs, revenues

associated with nuclear decommissioning, and earnings (losses) on the NDT is deferred in accordance with authoritative guidance for regulated enterprises and has no impact to SRP's earnings.

(4) FAIR VALUE OF FINANCIAL INSTRUMENTS:

SRP invests in U.S. government obligations, certificates of deposit and other marketable investments. Such investments are classified as cash and cash equivalents, temporary investments, other investments, and segregated funds in the accompanying Combined Balance Sheets depending on the purpose and duration of the investment.

Fair Value Option

SRP adopted authoritative guidance which permits an entity to choose to measure many financial instruments and certain other items at fair value. SRP has elected the fair value option for all investment securities other than those classified as held-to-maturity. Election of the fair value option requires the security to be reported as a trading security.

The fair value option was elected because management believes that fair value best represents the nature of the investments. While the investment securities held in these funds are reported as trading securities, the investments continue to be managed with a long-term focus. Accordingly, all purchases and sales within these funds are presented separately in the accompanying Combined Statements of Cash Flows as investing cash flows, consistent with the nature and purpose for which the securities are acquired.

Realized and unrealized gains and losses on these investments are included in investment income, net in the accompanying Combined Statements of Net Revenues.

The following table summarizes line items included in the accompanying Combined Balance Sheets at April 30 that include amounts recorded at fair value pursuant to the fair value option:

(in thousands)	Measurement Attribute*	2014	2013
Cash and cash equivalents			
Cash	N/A	10,952	13,654
Money market funds	Fair value	253,151	224,070
Total cash and cash equivalents		264,103	237,724
Non-utility property and other investments			
Money market funds	Fair value	2,326	3,006
Trading investments	Fair value	37,527	34,579
Held-to-maturity investments	Amortized cost	154,575	166,830
Non-utility property	N/A	96,471	90,298
Total non-utility property and other investments		290,899	294,713
Segregated funds, net of current portion			
Cash	N/A	197	7,735
Money market funds	Fair value	16,095	20,393
Trading investments	Fair value	1,007,379	878,666
Held-to-maturity investments	Amortized cost	69,047	80,152
Total segregated funds, net of current portion		1,092,718	986,946
Temporary investments			
Held-to-maturity investments	Amortized cost	121,202	63,074
Total temporary investments		121,202	63,074
Current portion of segregated funds			
Money market funds	Fair value	99,070	105,928
Total current portion of segregated funds		99,070	105,928

*N/A – Asset category not eligible for fair value option.

SRP's investments in debt securities are measured and reported at amortized cost when there is positive intent and ability to hold the security to maturity. SRP's amortized cost and fair value of held-to-maturity securities were $344.8 million and $344.6 million, respectively, at April 30, 2014, and $310.1 million and $314.5 million, respectively, at April 30, 2013. At April 30, 2014, SRP's investments in debt securities have maturity dates ranging from May 2014 to December 2027.

SRP evaluates the held-to-maturity securities for other-than-temporary impairment on a periodic basis considering numerous factors. At April 30, 2014 and 2013, SRP did not hold any other-than-temporary impaired securities. As of April 30, 2014, the total unrecognized loss on held-to-maturity securities with amortized costs exceeding fair market value was approximately $2.9 million.

SRP's trading investments are measured at fair value with unrealized trading gains and losses included in investment income, net. Unrealized trading gains and losses on Nuclear Decommissioning Trust investments are included in nuclear decommissioning regulatory liability.

The following table summarizes unrealized gains (losses) from fair value changes related to investments still held at April 30 (in thousands):

	2014	2013
Segregated funds, net of current portion	$ 2,895	$ 69,065
Non-utility property and other investments	2,171	2,667
Investment income, net	$ 5,066	$ 71,732

(5) DERIVATIVE INSTRUMENTS:

Energy Risk Management Activities

The District has an energy risk management program to limit exposure to risks inherent in normal energy business operations. The goal of the energy risk management program is to measure and manage exposure to market risks, credit risks and operational risks. Specific goals of the energy risk management program include reducing the impact of market fluctuations on energy commodity prices associated with customer energy requirements, excess generation and fuel expenses, in addition to meeting customer pricing needs, and maximizing the value of physical generating assets. The District employs established policies and procedures to meet the goals of the energy risk management program using various physical and financial instruments, including forward contracts, futures, swaps and options.

Certain of these transactions are accounted for as commodity derivatives and are recorded in the accompanying Combined Balance Sheets as either an asset or liability measured at their fair value. Derivative instruments and the related collateral accounts, if applicable, that are subject to master netting agreements are presented as a net asset or liability on the Combined Balance Sheets. Changes in the fair value of commodity derivatives are recognized each period in current earnings and included in the accompanying Combined Statements of Net Revenues and classified as part of operating cash flows in the accompanying Combined Statements of Cash Flows. Some of the District's contractual agreements qualify and are designated for the normal purchases and normal sales exception and are not recorded at market value. This exception applies to physical sales and purchases of power or fuel where it is probable that physical delivery will occur; the pricing provisions are clearly and closely related to the underlying asset; and the documentation requirements are met. If a contract qualifies for the normal purchases and normal sales scope exception, the District accounts for the contract using settlement accounting (costs and revenues are recorded when physical delivery occurs). SRP has not elected to use hedge accounting for its derivative investments.

See Note [6], FAIR VALUE MEASUREMENTS, for additional information on derivative valuation.

Segregated Funds Investments

The District enters into non-commodity derivative transactions either as a way to gain exposure to certain sectors and countries without having to physically buy securities in that sector or country or as an economic hedge against downside risk. When the District seeks to gain exposure to certain financial market sectors, it may enter into exchange-traded futures or forward contracts that provide the desired exposure. The contracts may be long or short term, and serve as a risk management tool for the portfolio. Similarly, the District may enter into option contracts on certain securities or sectors to minimize downside risk in the portfolio.

The District enters into a variety of non-commodity derivative instruments including futures, forwards, swaps and options primarily for trading purposes, with each instrument's primary risk exposure being interest rate, credit, and foreign exchange. The fair value of these non-commodity derivative instruments is included within the segregated funds, net of current portion, in the accompanying Combined Balance Sheets, with changes in fair value reflected as investment income, net, within the Combined Statements of Net Revenues, and

classified as part of investing cash flows in the accompanying Combined Statements of Cash Flows. The investments in futures are settled on a daily basis. As such there are no fair values or unrecognized gains or losses included in the schedules below or in Note [6], FAIR VALUE MEASUREMENTS, as of April 30, 2014 and 2013 for the futures investments.

As of April 30, 2014, the District no longer had direct exposure to non-commodity derivative instruments. The District's defined benefit retirement plan maintained its exposure to non-commodity derivative instruments. The detail of those can be found in Note [9], EMPLOYEE BENEFIT PLANS AND INCENTIVE PROGRAMS.

Derivative Volumes

The District has the following gross derivative volumes, by type, at April 30, 2014:

Commodity	Unit of Measure	Sales Volumes	Purchases Volumes
Natural gas options, swaps and forward arrangements	MMBtu	56,372,000	136,527,500
Electricity options, swaps and forward arrangements	MWh	2,371,625	2,173,689
Liquefied fuel swaps	Gallon	-	4,044,400

The District has the following gross derivative volumes, by type, at April 30, 2013:

Commodity	Unit of Measure	Sales Volumes	Purchases Volumes
Natural gas options, swaps and forward arrangements	MMBtu	26,455,000	188,050,000
Electricity options, swaps and forward arrangements	MWh	3,815,306	2,981,170
Liquefied fuel swaps	Gallon	-	4,092,020

Non-commodity	Unit of Measure	Sales Volumes	Purchases Volumes
Fixed income contracts	Shares	172,600,046	18,172,087
Foreign exchange contracts	Shares	134,358,996	137,243,762

Presentation of Derivative Instruments in the Financial Statements

The following tables provide information about the gross fair values, netting, and collateral and margin deposits for derivatives hedging instruments in the accompanying Combined Balance Sheets (in thousands):

	April 30, 2014				
	Current Commodity Derivative Assets	Non-current Commodity Derivative Assets	Current Commodity Derivative Liabilities	Non-current Commodity Derivative Liabilities	Total Assets (Liabilities)
Commodities	$20,000	$15,291	$(17,638)	$(55,110)	$(37,457)
Netting	(9,498)	(8,735)	9,498	8,735	-
Collateral and margin deposits	3,813	-	-	-	3,813
Total	$14,315	$ 6,556	$ (8,140)	$(46,375)	$(33,644)

	April 30, 2013					
	Segregated Funds, net of Current Portion	Current Commodity Derivative Assets	Non-current Commodity Derivative Assets	Current Commodity Derivative Liabilities	Non-current Commodity Derivative Liabilities	Total Assets (Liabilities)
Commodities	$ -	$ 27,162	$ 12,877	$ (37,896)	$ (76,221)	$ (74,078)
Fixed income contracts	(1,278)	-	-	-	-	(1,278)
Foreign exchange contracts	(170)	-	-	-	-	(170)
Netting	-	(17,716)	(3,673)	17,716	3,673	-
Collateral and margin deposits	-	7,037	-	-	-	7,037
Total	$ (1,448)	$ 16,483	$ 9,204	$ (20,180)	$ (72,548)	$ (68,489)

The following tables summarize the District's unrealized gains (losses) associated with derivatives not designated as hedging instruments in the accompanying Combined Statements of Net Revenues (in thousands):

	April 30, 2014			
	Operating Revenues	Power Purchased	Fuel Used in Electric Generation	Net Unrealized Gain (Loss)
Commodities	$11,967	$(69)	$41,811	$53,709

	April 30, 2013				
	Operating Revenues	Power Purchased	Fuel Used in Electric Generation	Investment Income, net	Net Unrealized Gain (Loss)
Commodities	$ (26,968)	$ 2,217	$ 105,421	$ -	$ 80,670
Fixed income contracts	-	-	-	(2,663)	(2,663)
Foreign exchange contracts	-	-	-	1,026	1,026
Total	$ (26,968)	$ 2,217	$ 105,421	$ (1,637)	$ 79,033

Credit Related Contingent Features

Certain of the District's derivative instruments contain provisions that require the District to post additional collateral upon certain credit events. If the District's debt were to fall below investment grade, the counterparties to the derivative instruments could demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions.

The aggregate fair value of all derivative liabilities with credit-risk-related contingent features as of April 30, 2014, was $50.0 million, for which the District is not required to post collateral. If the credit-risk-related contingent features underlying these agreements were triggered on April 30, 2014, the District could be required to post up to $50.0 million of collateral to its counterparties.

(6) FAIR VALUE MEASUREMENTS:

SRP accounts for fair value in accordance with authoritative guidance, which defines fair value, establishes methods for measuring fair value by applying one of three observable market techniques (market approach, income approach or cost approach) and establishes required disclosures about fair value measurements. This standard defines fair value as the price that would be received for an asset, or paid to transfer a liability, in the most advantageous market for the asset or liability in an arms-length transaction between willing market participants at the measurement date. SRP determines fair value of its financial instruments based on the market approach, which is defined as a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

SRP has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2: Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets, pricing models whose inputs are observable for substantially the full term of the asset or liabilities and pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means.

Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following table sets forth, by level within the fair value hierarchy, SRP's financial assets and liabilities that were accounted for at fair value on a recurring basis as of April 30, 2014 (in thousands):

	Level 1	Level 2	Level 3	Netting and Collateral	Total
Assets					
Cash and cash equivalents:					
Money market funds	$ -	$ 253,151	$ -	$ -	$ 253,151
Total cash and cash equivalents	-	253,151	-	-	253,151
Non-utility property and other investments:					
Money market funds	-	2,326	-	-	2,326
Mutual funds	37,527	-	-	-	37,527
Total non-utility property and other investments	37,527	2,326	-	-	39,853
Segregated funds, net of current portion:					
Money market funds	-	16,095	-	-	16,095
Mutual funds	506,810	-	-	-	506,810
Commingled funds	-	181,329	217	-	181,546
Common stocks	291,720	-	-	-	291,720
Corporate bonds	-	13,213	-	-	13,213
U.S. government securities	-	14,090	-	-	14,090
Total segregated funds, net of current portion	798,530	224,727	217	-	1,023,474
Current portion of segregated funds:					
Money market fund	-	99,070	-	-	99,070
Total current portion of segregated funds	-	99,070	-	-	99,070
Derivative instruments:					
Commodities	7,865	22,687	4,739	(14,420)	20,871
Total	$ 843,922	$ 601,961	$ 4,956	$ (14,420)	$ 1,436,419
Liabilities					
Derivative instruments:					
Commodities	$ (2,550)	$ (62,220)	$ (7,978)	$ 18,233	$ (54,515)
Total	$ (2,550)	$ (62,220)	$ (7,978)	$ 18,233	$ (54,515)

The following table sets forth, by level within the fair value hierarchy, SRP's financial assets and liabilities that were accounted for at fair value on a recurring basis as of April 30, 2013 (in thousands):

	Level 1	Level 2	Level 3	Netting and Collateral	Total
Assets					
Cash and cash equivalents:					
Money market funds	$ -	$ 224,070	$ -	$ -	$ 224,070
Total cash and cash equivalents	-	224,070	-	-	224,070
Non-utility property and other investments:					
Money market funds	-	3,006	-	-	3,006
Mutual funds	34,579	-	-	-	34,579
Total non-utility property and othe investments	34,579	3,006	-	-	37,585
Segregated funds, net of current portion:					
Money market funds	-	20,393	-	-	20,393
Mutual funds	233,436	-	-	-	233,436
Commingled funds	-	114,864	4,031	-	118,895
Common stocks	299,221	-	-	-	299,221
Preferred stocks	162	-	-	-	162
Corporate bonds	-	109,558	-	-	109,558
U.S. government securities	-	115,080	-	-	115,080
Foreign currency	3,762	-	-	-	3,762
Fixed income derivative assets	-	647	-	-	647
Fixed income derivative liabilities	-	(1,925)	-	-	(1,925)
Foreign exchange derivative assets	-	111	-	-	111
Foreign exchange derivative liabilities	-	(281)	-	-	(281)
Total segregated funds, net of current portion	536,581	358,447	4,031	-	899,059
Current portion of segregated funds:					
Money market fund	-	105,928	-	-	105,928
Total current portion of segregated funds		105,928	-	-	105,928
Derivative instruments:					
Commodities	6,179	23,394	10,466	(14,352)	25,687
Total	$ 577,339	$ 714,845	$ 14,497	$ (14,352)	$ 1,292,329
Liabilities					
Derivative instruments:					
Commodities	$ (6,351)	$ (77,049)	$ (30,717)	$ 21,389	$ (92,728)
Total	$ (6,351)	$ (77,049)	$ (30,717)	$ 21,389	$ (92,728)

Valuation Methodologies

Securities

Money market funds: Investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash equivalents. The fair value of shares in money market funds are priced based on inputs obtained from Bloomberg, a pricing service whose prices are obtained from direct feeds from exchanges, that are either directly or indirectly observable. Even though the NAV of the

fund(s) is kept at $1 per share, and transactions occur at that price, the underlying value of the securities may or may not be equal to $1 per share; therefore, these funds are classified as Level 2 in the fair value hierarchy.

Mutual funds: The fair values of shares in mutual funds are based on inputs that are quoted prices in active markets for identical assets and, therefore, have been categorized in Level 1 in the fair value hierarchy. Mutual funds are priced using active market exchanges, and sources include Interactive Data Corporation (IDC), Bloomberg, Yahoo Finance and other publicly available venues. This category may include Exchange-Traded Funds (ETF's), which are similar to mutual funds in their structure, but trade actively on exchanges like stocks. Pricing sources for ETF's also include IDC, Bloomberg, Yahoo Finance and other publicly available venues.

Corporate stocks: The fair values of shares in preferred and common corporate stocks are based on inputs that are quoted prices in active markets for identical assets and, therefore, have been categorized in Level 1 in the fair value hierarchy. Equities are priced using active market exchanges. Preferred and common corporate stocks are valued based on quoted prices in active markets and are categorized in Level 1. Equity securities held individually are primarily traded on exchanges that contain only actively traded securities due to the volume trading requirements imposed by these exchanges. Common stocks that are valued based on quoted prices from less active markets, such as over-the-counter (OTC) stocks, are categorized as Level 2 in the fair value hierarchy. Pricing sources include Interactive Data Corporation (IDC), Bloomberg, Yahoo! Finance, or other publicly available venues.

U.S. government securities: The fair value of U.S. government securities is derived from quoted prices on similar assets in active or non-active markets, from pricing models whose inputs are observable for the substantially full term of the asset, or from pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means; therefore, these securities have been categorized as Level 2 in the fair value hierarchy.

Commingled funds: Commingled funds are maintained by investment companies and hold certain investments in accordance with a stated set of fund objectives, which are consistent with SRP's overall investment strategy. For equity and fixed-income commingled funds, the fund administrator values the fund using the net asset value (NAV) per fund share, derived from the quoted prices in active markets of the underlying securities. Where adjustments to the NAV are required with respect to interests in funds subject to restrictions on redemption (such as lock-up periods or withdrawal limitations) and/or observable activity for the fund investment is limited, investments are classified within Levels 2 or 3 of the valuation hierarchy. If the ability to redeem the investment is unknown or the investment cannot be redeemed in the near term at NAV, the fair value measurement of the investment will be categorized as a Level 3 in the valuation hierarchy.

Corporate bonds: For fixed-income securities, multiple prices and price types are obtained from pricing vendors whenever possible, which enables cross-provider validations in addition to checks for unusual daily movements. A primary price source is identified based on asset type, class or issue for each security. SRP has obtained an understanding of how these prices are derived, including the nature and observability of the inputs used in deriving such prices. Additionally, SRP selectively corroborates the fair values of securities by comparison to other market-based price sources. The fair values of fixed-income securities are based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences and are categorized as Level 2.

Non-commodity derivatives: Non-commodity derivatives included fixed-income and foreign-exchange contracts that were exchange traded derivatives or OTC derivatives. Exchange-traded derivatives were priced based on inputs using quoted prices in the active markets using observable inputs. Observable inputs reflected the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Therefore, these investments have been categorized as Level 1. OTC derivatives were priced based on inputs other than quoted prices included in Level

1 that were observable for the asset or liability, either directly or indirectly through corroboration with observable market data. Therefore, these investments have been categorized as Level 2. Pricing sources for these securities included Bloomberg, IDC, JP Morgan, and other commonly-used vendors. The investments in futures were settled on a daily basis. As such there were no fair values or unrecognized gains or losses included in the balance sheet as of April 30, 2013 for the futures investments. During fiscal year 2014, SRP discontinued direct investments in non-commodity derivatives.

Commodity Derivative Instruments

The fair values of gas swaps and power swaps that are priced based on inputs using quoted prices of similar exchange traded items have been categorized in Level 1 in the fair value hierarchy. These include gas and power swaps traded on exchanges.

The fair values of gas swaps, power swaps, gas options, power options and power deals that are priced based on inputs obtained through pricing agencies and developed pricing models, using similar observable items in active and inactive markets, are classified as Level 2 in the valuation hierarchy.

The fair values of derivatives assets and liabilities that are valued using pricing models with significant unobservable market data traded in less active or underdeveloped markets are classified as Level 3 in the valuation hierarchy. Level 3 items include gas swaps, power swaps, gas options, power options and power deals. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include long-dated or complex derivatives).

SRP does periodically transact at locations, market price points, or in time blocks that are non-standard or illiquid for which no prices are available from an independent pricing source. In these cases we apply adjustments based on historical price curve relationships to a more liquid price point as a proxy for market prices. Such transactions are classified as Level 3.

SRP estimates the fair value of its options using Black-Scholes option pricing models which includes inputs such as implied volatility, correlations, interest rates, and forward price curves.

All of the assumptions above include adjustments for counterparty credit risk, using credit default swap data, bond yields, when available, or external credit ratings.

SRP's assessments of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. SRP reviews the assumptions underlying its contracts monthly.

The following table provides quantitative information regarding significant unobservable inputs in SRP's Level 3 fair value measurements:

	Fair Value at April 30, 2014 *(in thousands)*		
	Assets	**Liabilities**	**Range of Unobservable Inputs**
Forward contracts:	$ 1,469,453	$ (681,924)	
Market price per MWh			$32.00 - $55.20
Market price per Mmbtu			$4.399 - $4.998
Option contracts::	$ 3,269,998	$(7,295,691)	
Market price per MWh			$43.30 - $45.85
Market price per Mmbtu			$4.107 - $4.863
Power Volatility			28.34% - 31.83%
Gas Volatility			17.10% - 31.70%

See Note [5], DERIVATIVE INSTRUMENTS, for additional detail of derivatives.

Investments Calculated at Net Asset Value

As of April 30, 2014, the fair value measurement of investments calculated at net asset value per share (or its equivalent), as well as the nature and risks of those instruments, is as follows:

	Fair Value *(in thousands)*	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Mutual funds	$544,337	None	Daily	N/A
Commingled funds:				
Fixed income funds	181,329	None	Daily	N/A
Domestic long-short equity fund of funds	217	None	Annual	100 days

As of April 30, 2013, the fair value measurement of investments calculated at net asset value per share (or its equivalent), as well as the nature and risks of those instruments, is as follows:

	Fair Value *(in thousands)*	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Mutual funds	$268,015	None	Daily	N/A
Commingled funds:				
Fixed income funds	114,864	None	Daily	N/A
Domestic long-short equity fund of funds	4,031	None	Annual	100 days

Mutual funds: These are funds invested in either equity or fixed-income securities. They are actively managed funds that seek to outperform their respective benchmarks. The equity funds may invest in large and/or small capitalization stocks and/or growth or value styles, as dictated by their prospectuses. The fixed-income funds will invest in a broad array of securities, including treasuries, agencies, corporate debt, mortgage-backed securities, and some non-U.S. debt.

Fixed-income commingled funds: The funds are actively managed funds used by an investment manager to diversify an overall portfolio of separately managed fixed-income securities. The funds may invest in fixed-income securities of varying duration, maturity, credit quality and geographic location. The securities may be non-U.S. securities.

Domestic long-short equity fund of funds – The fund is an actively managed fund of funds that primarily invests in managers that invest in domestic and some non-U.S. equities. As a long-short fund, the fund seeks to neutralize market risk by balancing between managers that buy (go long) securities and managers who sell (go short) securities. The fund seeks to outperform a broad equity index over long periods, with less risk.

Collateral and Margin Deposits

Margin and collateral deposits include cash deposited with counterparties and brokers as credit support under energy contracts. The amount of margin and collateral deposits generally varies based on changes in the fair value of the positions. SRP presents its margin and cash collateral deposits net with its derivative position on the accompanying Combined Balance Sheets. Amounts recognized as margin and collateral provided to others are included in derivative assets and/or derivative liabilities in the accompanying Combined Balance Sheets. The margin deposits included in derivative assets totaled $3.8 million and $7.0 million at April 30, 2014 and 2013, respectively.

Changes in Level 3 Fair Value Measurements

The tables below include the reconciliation of changes to the balance sheet amounts (in thousands) for the years ended April 30 for financial instruments classified within Level 3 of the valuation hierarchy; this determination is based upon unobservable inputs to the overall fair value measurement (in thousands):

Fiscal Year 2014	Commodity Derivatives	Segregated Funds, net of Current Portion	Total
Beginning balance at May 1	$ (20,251)	$ 4,031	$ (16,220)
Transfers out of Level 3	20,795	-	20,795
Net realized and unrealized gain/(loss) included in earnings	(927)	-	(927)
Purchases	(1,503)	-	(1,503)
Settlements	(1,353)	(3,814)	(5,167)
Balance at April 30	$ (3,239)	$ 217	$ (3,022)

Fiscal Year 2013	Commodity Derivatives	Segregated Funds, net of Current Portion	Total
Beginning balance at May 1	$ (48,129)	$ 4,112	$ (44,017)
Transfers out of Level 3	24,461	-	24,461
Net realized and unrealized gain/(loss) included in earnings	3,892	(81)	3,811
Purchases	1,480	-	1,480
Settlements	(1,955)	-	(1,955)
Balance at April 30	$ (20,251)	$ 4,031	$ (16,220)

Realized and unrealized gains and losses included in earnings identified above are included in wholesale revenues, power purchased, fuel used in electric generation or investment income, as appropriate, in the accompanying Combined Statements of Net Revenues. The transfers out of Level 3 for each year primarily represent derivative positions for which the maturity date has moved to within a time frame such that there are published price curves available to use for performing the valuations.

Fair Value Disclosures

U.S. GAAP requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate their fair values. Many but not all of the financial instruments are recorded at fair value on the accompanying Combined Balance Sheets. Financial instruments held by SRP are discussed below.

Financial instruments for which fair value approximates carrying value: Certain financial instruments that are not carried at fair value on the accompanying Combined Balance Sheets are carried at amounts that approximate fair value due to their short-term nature and generally negligible credit risk. The instruments include receivables, accounts payable, customers' deposits, other current liabilities and commercial paper.

Financial instruments for which fair value does not approximate carrying value: SRP presents long-term debt at carrying value on the accompanying Combined Balance Sheets. The collective fair value of the District's revenue bonds and the Desert Basin Lease-Purchase Agreement, including the current portion, was estimated by using pricing scales from independent sources. The carrying amount of commercial paper approximates fair value because of its short-term maturity and pricing confirmed through independent sources. As of April 30, 2014 and 2013, the carrying amounts, including current portion and accrued interest, were $4.1 billion and $4.3 billion, respectively, and the estimated fair values were $4.4 billion and $4.8 billion, respectively. (See Note [7] LONG-TERM DEBT for further discussion of these items.)

(7) LONG-TERM DEBT AND CAPITAL LEASE OBLIGATION:

Long-term debt consists of the following at April 30 (in thousands):

	Interest Rate	2014	2013
Revenue bonds			
2002 Series C (redeemed fiscal year 2014)	5.00%	$ -	$ 50,170
2004 Series A (mature 2015 – 2024)	4.00 – 5.00%	63,185	76,440
2005 Series A (mature 2027 – 2035)	4.75 – 5.00%	327,090	327,090
2006 Series A (mature 2033 – 2037)	5.00%	296,000	296,000
2008 Series A (mature 2016 – 2038)	5.00%	816,650	816,650
2009 Series A (mature 2014 – 2039)	2.75 – 5.00%	669,180	687,930
2009 Series B (mature 2014 – 2020)	3.00 – 4.50%	245,545	272,665
2010 Series A (mature 2040 – 2041)	4.839%	500,000	500,000
2010 Series B (mature 2014 – 2027)	2.00 – 5.00%	216,785	216,785
2011 Series A (mature 2013 – 2030)	2.00 – 5.00%	392,640	416,250
2012 Series A (mature 2029 – 2031)	5.00%	236,185	236,185
Total revenue bonds		3,763,260	3,896,165
Unamortized bond premium		154,442	172,722
Total revenue bonds outstanding		3,917,702	4,068,887
Finance lease	3.70 – 5.25%	-	155,395
Commercial paper		125,000	50,000
Total long-term debt		4,042,702	4,274,282
Less: Current portion of long-term		(96,045)	(130,265)
Total long-term debt, net of current		$ 3,946,657	$ 4,144,017

The annual maturities of long-term debt (excluding unamortized bond discount/premium) as of April 30, 2014, due in fiscal years ending April 30, are as follows (in thousands):

	Revenue Bonds
2015	$ 96,045
2016	106,960
2017	100,850
2018	102,880
2019	94,335
Thereafter	3,262,190
Total	$ 3,763,260

Revenue Bonds

Revenue bonds are secured by a pledge of, and a lien on, the revenues of the electric system, after deducting operating expenses, as defined in the amended and restated bond resolution, effective in January 2003, as amended (Bond Resolution). The Bond Resolution requires the District to charge and collect revenues sufficient to fund the debt reserve account and pay operating expenses, debt service, and all other charges and liens payable out of revenues and income. Under the terms of the Bond Resolution, the District makes debt service deposits to a non-trusteed segregated fund. Included in segregated funds in the accompanying Combined Balance Sheets are $179.7 million and $186.5 million of debt-service-related funds as of April 30, 2014 and 2013, respectively. Additionally, the Bond Resolution requires the District to maintain a debt service coverage ratio of 1.1 or greater on outstanding revenue bonds. To be eligible to issue additional revenue bonds, the District must anticipate sufficient revenues to maintain that ratio post-issuance. For the years ended April 30, 2014 and 2013, the debt service coverage ratio was 3.36 and 2.80, respectively. A substantial portion of the revenue bonds are callable by the Company 10 years after issuance.

In October 2010, the District issued $500.0 million 2010 Series A Electric System Revenue Bonds as federally taxable, direct payment "Build America Bonds." Subject to the District's compliance with certain provisions of the ARRA and federal budget sequestration, the District expects to receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the 2010 Series A Bonds over the term of the 2010 Series A Bonds. The District accrued $7.8 million and $8.2 million for cash subsidy payments earned from the United States Treasury for the years ending April 30, 2014 and 2013, respectively. The accrued cash subsidy payments are included in the Combined Statements of Net Revenues as a reduction to interest on bonds, net. Interest, Build America Bonds subsidy payments, and the amortization of the bond discount, premium, and issue expense on the various issues result in an effective rate of 4.32% over the remaining term of the bonds.

Due to federal budget sequestration, effective March 2013 the Internal Revenue Service published guidance stating that subsidy amounts claimed by Build America Bonds issuers will be reduced by 8.7% of the amount budgeted for such payments. The reduction rate was applied until September 30, 2013. After September 30, 2013, the Internal Revenue Service changed the reduction rate to 7.2%. The 7.2% reduction rate applies to payments processed on or after October 1, 2013 and on or before September 30, 2014. The reduction rate will be applied unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration rate is subject to change. Accordingly, the District's July 1, 2013 subsidy payment, which it received on June 4, 2013, was reduced by 8.7% and the District's January 1, 2014 and July 1, 2014 subsidy payments, which it received on December 10, 2013 and June 10, 2014 respectively, were each reduced by 7.2%. The District receives subsidy amounts semiannually, with the next payment scheduled for January 1, 2015.

In October 2013 the District redeemed $50.2 million 2002 Series C Electric System Refunding Revenue Bonds with cash from the District's General Fund. The General Fund represents the District's cash and investments that are not legally restricted or Board designated for specific purposes.

The District has authorization to issue additional Electric System Revenue Bonds totaling $1.168 billion principal amount and Electric System Refunding Revenue Bonds totaling $5.007 billion principal amount.

Finance Lease

In December 2003, the District entered into a lease-purchase agreement (Desert Basin Lease-Purchase Agreement) with Desert Basin Independent Trust (DBIT) to finance the acquisition of the Desert Basin Generating Station (Desert Basin), located in central Arizona. In a concurrent transaction, $282.7 million in fixed-rate Certificates of Participation (COPs) were issued pursuant to a Trust Indenture between U.S Bank National Association, as trustee, and DBIT, to fund the acquisition of Desert Basin and other electric system assets of the District. Investors in the COPs obtained an interest in the lease payments made by the District to DBIT under the Desert Basin Lease-Purchase Agreement. Due to the nature of the Desert Basin Lease-Purchase Agreement, the District recorded a lease-finance liability to DBIT with the same terms as the COPs. In December 2013, the District redeemed $137.9 million COPs with cash from the District's General Fund. After the redemption, no COPs remain outstanding.

Capital Lease Obligation

In May 2008, the District entered into a 20-year power purchase agreement to purchase energy from a 575 megawatt (MW) simple–cycle, natural-gas peaking facility. The commercial operation date of the facility was May 1, 2011. Upon expiration of the contract and with proper notice, the District may renew the agreement for another 10 years, subject to certain conditions. Under the agreement, the District will pay a capacity charge, operation and maintenance costs, and property taxes. The District is also obligated to provide the natural gas needed to operate the facility. The capacity charge is paid monthly and will total approximately $51.9 million yearly. The District has concluded that this power purchase agreement is a capital lease. Accordingly, a capital lease asset and corresponding liability were recorded on May 1, 2011 in the amount of $517.0 million. The capital lease asset is being amortized on the straight-line basis over the original 20-year term of the contract. Accumulated amortization as of April 30, 2014 and 2013 is $76.5 million and $50.6 million respectively.

Future minimum lease payments, excluding executory costs, under the capital lease as of April 30, 2014 are as follows (in thousands):

2015	$ 51,867
2016	51,867
2017	51,867
2018	51,867
2019	51,867
Thereafter	622,398
Total minimum lease payments	881,733
Less: Imputed interest	(387,404)
Less: Imputed lessor profit on executory costs	(13,807)
Less: Current portion of capital lease obligation	(14,151)
Long-term capital lease obligation	$ 466,371

(8) COMMERCIAL PAPER AND CREDIT AGREEMENTS

The District is authorized by the Board to issue up to $500.0 million in commercial paper. The District had $50.0 million Series C Commercial Paper outstanding at April 30, 2014 and 2013, and an additional $75.0 million Series D-1 Commercial Paper at April 30, 2014. At April 30, 2014 and 2013, the Series C issue had an average weighted interest rate to the District of 0.08% and 0.17%, respectively. At April 30, 2014, the Series D-1 issue had an average weighted interest rate to the District of 0.13%. The commercial paper matures not more than 270 days from the date of issuance and is an unsecured obligation of the District.

The District has two revolving line-of-credit agreements, $100.0 million and $400.0 million. Both agreements support the $125.0 million of outstanding commercial paper at April 30, 2014. The $100.0 million revolving credit agreement expires on May 16, 2017, and the $400.0 million revolving credit agreement expires on June 25, 2018. SRP has classified the commercial paper program as long-term debt in the accompanying Combined Balance Sheets at April 30, 2014 and 2013. The additional $375.0 million in credit available under the two lines of credit may be used to support the issuance of additional commercial paper or for other general corporate purposes.

The revolving line-of-credit agreements contain various conditions precedent to borrowings that include, but are not limited to, compliance with the covenants set forth in the agreements, the continued accuracy of representations and warranties, no existence of default and maintenance of certain investment grade ratings on the District's revenue bonds. The District was in compliance with the various covenants at April 30, 2014 and 2013. The District has never borrowed under the agreements. Alternative sources of funds to support the commercial paper program include existing funds on hand or the issuance of alternative debt, such as revenue bonds.

(9) EMPLOYEE BENEFIT PLANS AND INCENTIVE PROGRAMS:

Defined Benefit Pension Plan and Other Postretirement Benefits

SRP's Employees' Retirement Plan (the Plan) covers substantially all employees. The Plan is funded entirely from SRP contributions and the income earned on invested Plan assets. SRP made contributions of $60.0 million in fiscal year 2013. No contributions were made in fiscal year 2014.

SRP provides a non-contributory defined benefit medical plan for retired employees and their eligible dependents (contributory for employees hired January 1, 2000 or later) and a non-contributory defined benefit life insurance plan for retired employees. Employees are eligible for coverage if they retire at age 65 or older with at least five years of vested service under the Plan (ten years for those hired January 1, 2000 or later), or at any time after attainment of age 55 with a minimum of ten years of vested service under the Plan (20 years for those hired January 1, 2000 or later). The funding policy is discretionary.

U.S. GAAP requires employers to recognize the overfunded or underfunded positions of defined benefit pension and other postretirement plans in their balance sheets. Any actuarial gains and losses, prior service costs, and transition assets or obligations must be recorded on the balance sheet with an offset to accumulated other comprehensive income until the amounts are amortized as a component of net periodic benefit costs.

The Board has authorized the District to collect future amounts associated with the pension and other postretirement plan liabilities as part of the pricing process. The District established a regulatory asset for the amounts otherwise chargeable to accumulated other comprehensive income that are expected to be recovered through prices in future periods. The changes in actuarial gains and losses, prior service costs, and transition assets or obligations pertaining to the regulatory asset are recognized as an adjustment to the regulatory asset or liability accounts, as these amounts are recognized as components of net periodic pension costs each year. The District's amortization amounts for fiscal year 2014 are $1.3 million for prior service cost and $67.5 million for net actuarial loss. The District's amortization amounts for fiscal year 2013 are $1.9 million for prior service cost and $48.5 million for net actuarial loss.

The following tables outline changes in benefit obligations, plan assets, the funded status of the plans and amounts included in the accompanying Combined Financial Statements (in thousands):

	Pension Benefits		Postretirement Benefits	
	2014	**2013**	**2014**	**2013**
Change in benefit obligation				
Benefit obligation at beginning of year	$ 2,014,039	$ 1,736,633	$ 742,787	$ 625,399
Service cost	61,939	50,332	16,750	13,020
Interest cost	84,504	83,831	31,205	30,216
Actuarial loss (gain)	(102,150)	224,247	(37,958)	94,510
Benefits paid	(69,454)	(81,004)	(23,004)	(20,358)
Benefit obligation at end of year	$ 1,988,878	$ 2,014,039	$ 729,780	$ 742,787
Change in plan assets				
Fair value of plan assets at beginning of year	$ 1,658,265	$ 1,466,878	$ -	$ -
Actual return on plan assets	162,253	212,391	-	-
Employer contributions	-	60,000	23,004	20,358
Benefits paid	(69,454)	(81,004)	(23,004)	(20,358)
Fair value of plan assets at end of year	1,751,064	1,658,265	-	-
Funded status at end of year	$ (237,814)	$ (355,774)	$ (729,780)	$ (742,787)
Amounts recognized in Combined Balance Sheets:				
Other current liabilities	$ -	$ -	$ (26,152)	$ (23,969)
			(703,628)	(718,818)
Accrued post-retirement liability	(237,814)	(355,774)		
Net asset (liability) recognized	$ (237,814)	$ (355,774)	$ (729,780)	$ (742,787)
Amounts recognized as a regulatory asset:				
Transition obligation (asset)	$ -	$ -	$ -	$ (1)
Prior service cost (credit)	348	1,967	(6,251)	(6,520)
Net actuarial loss (gain)	639,249	828,355	210,788	261,952
Net regulatory asset	$ 639,597	$ 830,322	$ 204,537	$ 255,431

The following table represents the amortization amounts expected to be recognized or paid during the fiscal year ending April 30, 2015 (in thousands):

	Pension Benefits	Postretirement Benefits
Prior service cost/(credit)	$ 172	$ 1,619
Net actuarial	$ 37,940	$ 54,100

The following table outlines the projected benefit obligation and accumulated benefit obligation in excess of Plan assets (in thousands):

	2014	2013
Projected benefit obligation	$ 1,988,878	$ 2,014,039
Accumulated benefit obligation	$ 1,730,241	$ 1,731,165
Fair value of Plan assets	$ 1,751,064	$ 1,658,265

SRP internally funds its other postretirement benefits obligation. At April 30, 2014 and 2013, $653.4 million and $584.9 million of segregated funds, respectively, were designated for this purpose.

The weighted average assumptions used to calculate actuarial present values of benefit obligations at April 30 were as follows:

	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
Discount rate	4.85%	4.27%	4.85%	4.27%
Rate of compensation increase	4.00%	4.00%	N/A	N/A

Weighted average assumptions used to calculate net periodic benefit costs were as follows:

	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
Discount rate	4.27%	4.92%	4.27%	4.92%
Expected return on Plan assets	8.25%	8.25%	N/A	N/A
Rate of compensation increase	4.00%	4.00%	N/A	N/A

A 6.75% annual increase in per capita costs of health care benefits was assumed during 2014; these rates were assumed to decrease uniformly until equaling 5% in all future years.

The components of net periodic benefit costs for the years ended April 30, are as follows (in thousands):

	Pension Benefits		Postretirement Benefits	
	2014	2013	2014	2013
Service cost	$ 61,938	$ 50,332	$ 16,750	$ 13,020
Interest cost	84,504	83,831	31,205	30,216
Expected return on Plan assets	(129,627)	(123,670)	-	-
Amortization of transition obligation	-	-	(1)	(1)
Amortization of net actuarial loss	54,329	40,378	13,206	8,092
Amortization of prior service cost	1,620	2,141	(270)	(266)
Net periodic benefit cost	$ 72,764	$ 53,012	$ 60,890	$ 51,061

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in the assumed health care cost trend rates would have the following effect (in thousands):

	One Percentage Point Increase	One Percentage Point Decrease
Effect on total service cost and interest cost components	$ 9,780	$ (7,656)
Effect on postretirement benefit obligation	$132,322	$(91,154)

Plan Assets

The Board has established an investment policy for Plan assets and has delegated oversight of such assets to a compensation committee (the Committee). The investment policy sets forth the objective of providing for future pension benefits by targeting returns consistent with a stated tolerance of risk. The investment policy is based on analysis of the characteristics of the Plan sponsors, actuarial factors, current Plan condition, liquidity needs, and legal requirements. The primary investment strategies are diversification of assets, stated asset allocation targets and ranges, and external management of Plan assets. The Committee determines the overall target asset allocation ratio for the Plan and defines the target asset allocation ratio deemed most appropriate for the needs of the Plan and the risk tolerance of the District.

The market value of investments (reflecting returns, contributions, and benefit payments) within the Plan trust appreciated 11.01% during fiscal year 2014, compared to an increase of 13.71% during fiscal year 2013. Changes in the Plan's funded status affect the assets and liabilities recorded on the balance sheet in accordance with FASB authoritative guidance. Due to the District's regulatory treatment, the recognition of funded status is offset by regulatory assets or liabilities and is recovered through prices. The Pension Protection Act (PPA) of 2006 establishes new minimum funding standards and restricts plans underfunded by more than 20% from adopting amendments that increase plan liabilities unless they are funded immediately. In December 2008, the Worker, Retiree, and Employer Recovery Act (WRERA) was enacted. Among other provisions, the WRERA provides temporary funding relief to defined benefit plans during the current economic downturn. The Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 (PACMBPRA) was signed into law during fiscal year 2011. During fiscal year 2013, the Moving Ahead for Progress in the 21st Century Act (MAP-21) was passed, which included a provision related to pension funding. All three acts subsequent to the passage of the PPA, WRERA, PACMBPRA, and MAP-21 will favorably affect the level of minimum required contributions.

The Plan's weighted-average asset allocations are as follows:

	Target Allocations	2014	2013
Equity securities	65.0%	66.7%	62.4%
Debt securities	25.0%	24.5%	29.2%
Real estate	10.0%	8.8%	8.4%
Total	100.0%	100.0%	100.0%

The investment policy, as authorized by the Board, allows management to reallocate Plan assets at any time within a tolerance range up to plus or minus 5% from the target asset allocation which allows for flexibility in managing the assets based on prevailing market conditions and does not require automatic rebalancing if the actual allocation strays from the target allocation.

Securities Lending

Prior to April 30, 2014, the Plan exited the securities lending program it had previously participated in. However, as of April 30, 2013, the Plan participated in a securities lending program with the trustee of the investments. The program authorizes the trustee of the particular investments to lend securities, which are assets of the plans, to approved borrowers. The trustee requires borrowers, pursuant to a security lending agreement, to deliver collateral to secure each loan. The loaned securities are required to be collateralized. Under the program, the borrowers deliver collateral having a market value not less than 102% of the market value of the loaned securities. The cash collateral received is invested in a collateral pool made up of fixed income securities. The Plan bears the risk of loss with respect to unfavorable changes in fair value of the invested collateral. At April 30, 2014, the Plan had no outstanding balances under this program.

Fair Value of Plan Assets

The following table sets forth the fair value of Plan assets, by asset category, at April 30, 2014 (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Money market funds	$ 19,058	$ 25,903	$ -	$ 44,961
Mutual funds	380,981	-	-	380,981
U.S. government securities	-	106,628	-	106,628
Corporate bonds	-	222,809	-	222,809
Corporate stocks	408,820	-	-	408,820
Commingled funds	-	160,705	269,127	429,832
Real estate	-	-	155,978	155,978
Exchange traded derivatives	25,734	-	-	25,734
OTC derivatives	-	79,265	-	79,265
Exchange traded derivative liabilities	(24,409)	-	-	(24,409)
OTC derivative liabilities	-	(79,535)	-	(79,535)
Total assets	$ 810,184	$ 515,775	$ 425,105	$ 1,751,064

The following table sets forth the fair value of Plan assets, by asset category, at April 30, 2013 (dollars in thousands):

	Level 1	Level 2	Level 3	Total
Money market funds	$ 21,879	$ 49,040	$ -	$ 70,919
Mutual funds	404,765		-	404,765
U.S. government securities	-	90,958	-	90,958
Corporate bonds	-	242,833	-	242,833
Corporate stocks	437,130	318	-	437,448
Commingled funds	-	166,052	88,857	254,909
Real estate	-	-	140,126	140,126
Exchange traded derivatives	62,426	-	-	62,426
OTC derivatives	-	81,368	-	81,368
Exchange traded derivative liabilities	(45,806)	-	-	(45,806)
OTC derivative liabilities	-	(81,681)	-	(81,681)
Total assets	$ 880,394	$ 548,888	$ 228,983	$ 1,658,265

The fair value of the Plan assets at April 30, 2013 excludes $349.1 million payable for collateral on loaned securities in connection with the participation of the Plan in securities lending programs.

For a description of the fair value hierarchy, refer to Note [6] FAIR VALUE MEASUREMENTS.

Valuation Methodologies

Real estate: Real estate commingled funds are funds with a direct investment in a pool of real estate properties. These funds are valued by investment managers on a periodic basis using pricing models that use independent appraisals from sources with professional qualifications. Since these valuation inputs are not highly observable, real estate investments have been categorized as Level 3 investments. The valuations of the real estate funds are sensitive to market factors outside the control of the Plan, including interest rate levels and economic activity. The valuations, although done quarterly by independent qualified appraisers, may vary due to these factors.

Exchange traded derivatives: The fair values of exchange traded options and futures are priced based on inputs using quoted prices in active markets using observable inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Therefore, these investments have been categorized as Level 1.

OTC derivatives: The fair values of OTC options, forwards, swaptions, and swaps are priced based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data. Therefore, these investments have been categorized as Level 2 in the fair value hierarchy.

For an explanation of the valuation methodologies used to determine fair value of the assets of the Plan that are not listed above, refer to Note [6] FAIR VALUE MEASUREMENTS.

Changes in Level 3 Fair Value Measurements

The table below includes the reconciliation of changes to the balance sheet amounts for the years ended April 30 for financial instruments classified within Level 3 of the valuation hierarchy; this determination is based upon unobservable inputs to the overall fair value measurement:

Plan Assets (in thousands)	2014	2013
Beginning balance at May 1	$ 228,983	$ 213,345
Actual return on plan assets relating to assets still held at end of period	25,283	15,638
Purchases	170,839	-
Balance at April 30	$ 425,105	$ 228,983

Long-Term Rate of Return

The expected return on Plan assets is based on a review of the Plan asset allocations and consultations with a third-party investment consultant and the Plan actuary, considering market and economic indicators, historical market returns, correlations and volatility, and recent professional or academic research.

Employer Contributions

SRP expects to contribute $60.0 million to the Plan over the next year.

Benefits Payments

SRP expects to pay benefits in the amounts as follows (in thousands):

	Pension Benefits	Postretirement Benefits	
		Before Subsidy*	Net
2015	$ 76,177	$ 27,064	$ 26,152
2016	80,954	29,278	28,269
2017	86,170	31,467	30,359
2018	91,710	33,468	32,242
2019	97,329	35,358	34,015
2020 through 2024	**573,168**	**204,006**	**195,534**

*Estimated future benefit payments, including prescription drug benefits, prior to federal drug subsidy receipts expected as a result of the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

Defined Contribution Plan

SRP's Employees' 401(k) Plan (the 401(k) Plan) covers substantially all employees. The 401(k) Plan receives employee pre-tax and post-tax contributions and partial employer matching contributions. Employees who have one year of service in which they have worked at least 1,000 hours and who are also contributing to the 401(k) Plan are eligible to receive partial employer matching contributions of $0.90 on every dollar contributed up to the first 6% of their base pay that they contribute to the 401(k) Plan. Employer matching contributions to the 401(k) Plan were $16.8 million and $16.0 million during fiscal years 2014 and 2013, respectively.

Employee Performance Incentive Compensation Program

The Employee Performance Incentive Compensation (EPIC) program is approved by the Board each year. EPIC covers substantially all regular employees, and is based on the achievement of pre-established targets for each fiscal year. The total compensation accrued for the EPIC program in fiscal years 2014 and 2013 was $22.6 million and $25.5 million, respectively.

Employee Sick Leave Plan

The SRP Employee Sick Leave Plan provides payment to employees for unused sick leave. Employees accumulate sick days at a rate of one day per month. The accumulation, up to the personal maximum, can be carried forward year after year. For most employees, the personal maximum is 720 hours. For sick leave hours accumulated in excess of the personal maximum, a lump sum payment at half pay is made annually at the end of each year based on the hourly rate at time of payment, and the accumulated sick leave is then returned to the personal maximum. Upon death or retirement, payment is made for any unused sick leave hours. The payments for retirement or death are based on the hourly rate of pay at retirement or death. SRP has an accrual for unpaid sick leave of approximately $52.0 million and $54.0 million at April 30, 2014 and 2013, respectively. The accrual is determined actuarially based on various assumptions, including future pay raises, discount rate, and the amount of the accrual that will ultimately be paid out.

(10) INTERESTS IN JOINTLY OWNED ELECTRIC UTILITY PLANTS AND TRANSMISSION FACILITIES:

The District has entered into various agreements with other electric utilities for the joint ownership of electric generating and transmission facilities. Each participating owner in these facilities must provide for the cost of its ownership share. The District's share of expenses of the jointly owned plants and transmission facilities is included in other operating expenses and maintenance in the accompanying Combined Statements of Net Revenues.

The following table reflects the District's ownership interests in jointly owned facilities at electric utility plants as of April 30, 2014 (in thousands):

Generating Station	Ownership Share	Plant in Service	Accumulated Depreciation	Construction Work In Progress
Four Corners (NM) (Units 4 & 5)	10.00%	$ 126,197	$ (108,470)	$ 4,066
Navajo (AZ) (Units 1, 2 & 3)	21.70%	350,332	(323,351)	10,087
Hayden (CO) (Unit 2)	50.00%	142,027	(120,398)	10,650
Craig (CO) (Units 1 & 2)	29.00%	294,619	(267,511)	4,461
Mesquite Common	50.00%	74,655	(2,026)	-
PVNGS (AZ) (Units 1, 2 & 3)	17.49%	1,254,805	(1,035,897)	51,481
		$2,242,635	$(1,857,653)	$ 80,745

The following table reflects the District's investment in jointly owned transmission facilities as of April 30, 2014 (in thousands):

Transmission Facility	Plant in Service	Accumulated Depreciation	Construction Work In Progress
Mead Phoenix	$ 53,329	$ (15,828)	$ 455
Southwest Valley	78,791	(13,233)	61
Southeast Valley	189,303	(19,116)	117,487
Morgan-Pinnacle Peak	64,256	(2,695)	101
El Dorado	11,558	(4,337)	-
Southern Transmission	71,328	(31,954)	-
Mesquite	23,796	(316)	-
ANPP	70,267	(24,279)	899
	$ 562,628	$ (111,758)	$ 119,003

(11) VARIABLE INTEREST ENTITIES:

SRP follows guidance that defines a variable interest entity (VIE) as a legal entity whose equity owners do not have sufficient equity at risk or lack certain characteristics of a controlling financial interest in the entity. This guidance identifies the primary beneficiary as the variable interest holder that has the power to direct the activities that most significantly affect the VIE's economic performance (power criterion) and has the obligation to absorb losses or the right to receive benefits from the VIE (losses/benefits criterion). The primary beneficiary is required to consolidate the VIE unless specific exceptions or exclusions are met. SRP considers both qualitative and quantitative factors to form a conclusion whether it, or another interest holder, meets the power criterion and the losses/benefits criterion. SRP performs ongoing reassessments of its VIEs to determine if the primary beneficiary changes each reporting period.

Unconsolidated VIEs

While SRP is not required to consolidate any VIE as of April 30, 2014 or 2013, it held variable interests in certain VIEs as described below.

In May 2008, the District entered into a 20-year power purchase agreement to purchase energy from a 575 MW simple-cycle natural-gas peaking facility. The District has concluded that this power purchase agreement is a capital lease. The District has also determined that it is not the primary beneficiary of this VIE since it does not control operations and maintenance, which it believes are the primary activities that most significantly affect the economic activities of the entity. See further discussion in Note [7] LONG-TERM DEBT AND CAPITAL LEASE OBLIGATION.

The District has entered into various long-term power purchase agreements with developing renewable energy generation facilities that extend for periods of 20 to 30 years. Two facilities, with the capacities of 25 MW and 19 MW began commercial operations in fiscal years 2014 and 2013, respectively. The District is receiving the power and renewable energy credits from these facilities and other facilities started in prior years. The capacity of all the facilities combined, is approximately 241 MW. The amounts that the District paid to these projects were $92.5 million and $78.1 million for fiscal years 2014 and 2013, respectively. With the exception of projects for which the District is obligated to pay operating and maintenance expenses, the District is obligated to pay only for actual energy delivered and will have no obligation with respect to any facilities that do not start commercial operations. Some of these agreements include a price adjustment clause that will affect the future cost. There are no minimum payment obligations under these agreements. The District has concluded that it is not the primary beneficiary of these VIEs since it does not control operations and maintenance, which it believes are the primary activities that most significantly affect the economic activities of the entity.

The District formed a partnership during fiscal year 2010 to market long-term water storage credits. The District made net capital contributions of $1.4 million and $1.3 million to the partnership and carried $5.6 million and $4.3 million of investment in the partnership in fiscal years 2014 and 2013, respectively. The District has a future maximum exposure up to a $25.0 million contribution limit. The primary risks associated with this VIE relate to the marketing of the water storage credits. The District has concluded that it is not the primary beneficiary of this VIE since it does not have power to direct the activities related to the marketing of the long-term water storage credits, which represent the most significant economic activities of the VIE.

(12) COMMITMENTS:

Purchased Power and Fuel Supply

The District had various firm, noncancelable purchase commitments at April 30, 2014, which are not recognized in the accompanying Combined Balance Sheets. The following table presents actual payments and estimated future payments pertaining to firm purchase commitments with remaining terms greater than one year (in millions):

	Total Payments		Purchase Commitments					
	2014	2013	2015	2016	2017	2018	2019	Thereafter
Purchase power contracts	$ 32.8	$ 31.9	$ 34.9	$ 35.4	$ 36.0	$ 36.6	$ 37.1	$ 714.0
Fuel supply contracts	381.6	379.6	338.3	294.6	212.0	201.0	185.8	686.7
Total	$ 414.4	$ 411.5	$ 373.2	$ 330.0	$ 248.0	$ 237.6	$ 222.9	$ 1,400.7

Gas Purchase Agreement

In October 2007, the District entered into a 30-year gas purchase agreement with Salt Verde Financial Corporation (SVFC), an Arizona nonprofit corporation formed for the primary purpose of supplying natural gas to the District. Under the agreement, the District is committed to purchase 10,425,000 MMBtus (millions of British thermal units) of natural gas in fiscal year 2015, 10,270,000 MMBtus in fiscal year 2016, 10,420,000 MMBtus in fiscal years 2017 through 2019, and 197,980,000 MMBtus over the balance of the term. These purchases are expected to supply approximately 20% of its projected natural-gas requirements needed to serve retail customers over the remainder of the 30-year period. The District receives a discount off market prices and is obligated to pay only for gas delivered. Payments, net of discount, to SVFC under the agreement were $29.7 million and $17.7 million in fiscal years 2014 and 2013, respectively. The agreement also provides for payment from SVFC to the District of certain excess cash resulting from a portion of SVFC's investment income, which effectively reduces the price the District pays for the gas. The excess cash amounts received by the District from SVFC totaled $3.1 million in both fiscal years 2014 and 2013.

Operating Leases

The District entered into various operating leases to facilitate the operations of Springerville Generating Station (Springerville) Unit 4, a 400 MW gas-fired plant owned by the District and operated by Tucson Electric Power Company (TEP). Total payments under the agreements to TEP and other parties were $13.5 million and $13.8 million in fiscal years 2014 and 2013, respectively. Minimum payments under these agreements are estimated to be $13.6 million in fiscal years 2015, $ 9.8 million in fiscal years 2016 through 2019, and $244.2 million thereafter. The leases expire in various years from 2015 through 2106.

(13) CONTINGENCIES:

Nuclear Insurance

Under existing law, public liability claims arising from a single nuclear incident are limited to $13.2 billion. PVNGS participants insure for this potential liability through commercial insurance carriers to the maximum amount available ($375.0 million) with the balance covered by an industry-wide retrospective assessment program as required by the Price-Anderson Act. If losses at any nuclear power plant exceed available commercial insurance, the District could be assessed retrospective premium adjustments. The maximum assessment per reactor per nuclear incident under the retrospective program is $127.3 million, including a 5% surcharge applicable in certain circumstances, but not more than $19.0 million per reactor may be charged in any one year for each incident. Based on the District's ownership share of PVNGS, the maximum potential assessment would be $66.8 million, including the 5% surcharge, but would be limited to $10.0 million per incident in any one year.

PVNGS participants also maintain "all risk" (including nuclear hazards) insurance for property damage to, and decontamination of, property at PVNGS in the aggregate amount of $2.8 billion, a substantial portion of which must first be applied to stabilization and decontamination. The District also secured insurance against portions of any increased cost of generation or purchased power and any business interruption resulting from a sudden and unforeseen accidental outage of any of the three units. The coverage for property damage, decontamination, and replacement power is provided by Nuclear Electric Insurance Limited (NEIL). The District is subject to retrospective assessments under all NEIL policies if NEIL's losses in any policy year exceed accumulated funds. The maximum amount of retrospective assessments the District could incur under the NEIL policies totals approximately $12.1 million. The insurance coverage discussed in this and the previous paragraph is subject to certain policy conditions and exclusions.

Spent Nuclear Fuel

Under the Nuclear Waste Policy Act of 1982, the District paid $0.001 per kilowatt-hour on its share of net energy generation at PVNGS to the U.S. Department of Energy (DOE) through April 30, 2014. However, to date, for various reasons, the DOE has not constructed a site for the storage of spent nuclear fuel. Accordingly, Arizona Public Service Company (APS), the operating agent for PVNGS, has constructed an on-site dry cask storage facility to receive and store PVNGS spent fuel. PVNGS has sufficient capacity at its on-site spent fuel storage installation to be able to store all of the nuclear fuel that will be spent during the first operating license period which ends in December 2027. In addition, PVNGS has sufficient capacity to store a portion of the fuel that will be spent during the period of extended operation, which will end in December 2047. Potentially, and depending on how the NRC rules on the future unloading of spent fuel pools, PVNGS could use high capacity storage casks to store the balance of any fuel spent during the extended license period. The on-site facility stored its first cask in March 2003. Effective May 15, 2014, the per kilowatt-hour charge on energy generation at PVNGS was reduced to zero. A similar charge could be reinstated in the future.

The District's share of on-site interim storage at PVNGS is estimated to be $73.3 million for costs to store spent nuclear fuel from inception through the life of the plant. These costs are recovered through the District's base rates

as a component of the system benefit charge. At April 30, 2014 and 2013, the District's accrued spent fuel storage cost was $23.3 million and $23.8 million, respectively, and is included in deferred credits and other non-current liabilities on the accompanying Combined Balance Sheets.

Coal Supply

Black Mesa Environmental Impact Statement: In 2008, the Office of Surface Mining, Reclamation and Enforcement (OSM) issued an Environmental Impact Statement (EIS) to allow Peabody Coal Company (Peabody) to include the Black Mesa Mine (which formerly served the Mohave Generating Station) in the permit for the Kayenta Mine (which serves NGS). Under the administrative appeals process, numerous appeals of the permit decision were filed, and a decision was issued that the process OSM had followed to issue the permit was inadequate. In response to the decision, Peabody filed an application for a permit renewal for the Kayenta Mine. On January 6, 2012, the OSM approved a five-year renewal of the permit through July 6, 2015. In February 2012, three separate appeals of the renewal were filed by various environmental and tribal groups, following which the District successfully intervened in the matter. Although an Administrative Law Judge (ALJ) issued a decision disposing of several of the claims in the appeals, certain claims were left for hearing. The proceedings have been stayed pending discussions among the parties regarding the possible resolution of some of the remaining claims. A settlement agreement has been executed with all parties except the Black Mesa Trust (BMT) and The Forgotten People (TFP). Both BMT and TFP have asserted that the TNA settlement has not resolved all of their claims and have requested a hearing to address their remaining claims. The District cannot predict the outcome of this matter at this time.

Navajo Mine Permit: BHP Billiton Limited (BHP) operates the Navajo Coal Mine, which supplies Four Corners Generating Station (Four Corners), in which the District owns 10% of units 4 and 5. On December 30, 2013, BHP sold its ownership of BHP Navajo Coal Company (BNCC) to Navajo Transitional Energy Company, LLC (NTEC), a company formed by the Navajo Nation to own the mine and develop other energy projects. OSM has finalized the transfer of the Surface Mining Control and Reclamation Act of 1977 (SMCRA) permit from BHP to NTEC. Several environmental groups have filed lawsuits challenging the mining permit and expanded operations. If these lawsuits were successful, they would result not only in an increased cost of mining operations, which would be passed to the owners of the generating station, but could also result in the suspension or termination of mining activities. APS, as operating agent of Four Corners, is working with BHP and other defendants to allow the expansion and continuation of the mine. Briefing in these matters has been completed and the parties are waiting for the court to schedule oral argument. The District cannot predict the outcome of these lawsuits at this time.

Trapper Mine Permit: On February 27, 2013, WildEarth Guardians (WEG) filed suit in the U.S. District Court for the District of Colorado against the Office of Surface Mining (OSM), Al Klein, the Western Regional Director of the OSM and Secretary of the Interior Ken Salazar (Secretary) (the Complaint). In the Complaint, WEG alleges that the OSM violated the National Environmental Policy Act (NEPA) and the Administrative Procedure Act (APA) by "unlawfully approving mining plans for the Colowyo and Trapper Mines in Colorado" and the plans of five other mines located in Montana, New Mexico and Wyoming. The District owns a 32.1% interest in Trapper Mining Inc. (Trapper), which owns the Trapper Mine. Trapper Mine serves Craig Generating Station, in which the District owns 29% of Units 1 and 2. WEG alleges, among other things, that the Secretary's approval of Trapper's 2009 modification to its existing mining plan (the 2009 Trapper Plan) violated NEPA and the APA on various grounds. WEG asks the Court to reverse the Secretary's approval of the 2009 Trapper Plan and enjoin Trapper from continuing its mining operations until OSM demonstrates compliance with NEPA and the APA when considering approval of the 2009 Trapper Plan. Trapper has intervened in the suit and recently filed an answer to the Amended Petition for Review. The District cannot predict the outcome of this lawsuit at this time.

Environmental

SRP is subject to numerous legislative, administrative and regulatory requirements at the federal, state and local levels, as well as lawsuits relative to air quality, water quality, hazardous waste disposal and other environmental matters. Such requirements have resulted, and will continue to result, in increased costs associated with the operation of existing properties. At April 30, 2014 and 2013, SRP accrued $35.0 million and $35.6 million, respectively, for environmental issues, on a non-discounted basis, which is included in deferred credits and other non-current liabilities on the accompanying Combined Balance Sheets. The following topics highlight some of the major environmental compliance issues affecting SRP.

Water quality: Due to the nature of its business, from time to time the District is involved in various state and federal superfund matters. In September 2003, the EPA notified the District that it might be liable under the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) as an owner and operator of a facility within the Motorola 52nd Street Superfund Site Operable Unit 3. The District completed the remedial investigation at the facility, but other potentially responsible parties are still undertaking remedial investigations and feasibility studies and the District could still be liable for past costs incurred and for future work to be conducted within the Superfund Site with regard to groundwater. At the adjacent West Van Buren Water Quality Assurance Revolving Fund Site, a state superfund site, the Roosevelt Irrigation District (RID) has sued the District and numerous other parties claiming that as a result of groundwater contamination, RID has been damaged in excess of $125.0 million. The District denies the allegations and intends to vigorously contest the claim. Although the District was temporarily dismissed from the lawsuit, the plaintiff, with new counsel, filed a Second Amended Complaint which named the District directly as a defendant again, along with a smaller number of potentially responsible parties than in the original complaint and First Amended Complaint. The District has filed an Answer to the Second Amended Complaint. While the District is unable at this time to predict the outcome of these matters, it believes it has recorded adequate reserves as part of its environmental reserves to cover expected liabilities related to these issues.

Air quality: Efforts to reduce emissions from fossil fuel power plants will substantially increase the cost of, and add to the difficulty of, siting, constructing and operating electric generating units. As a result of legislative and regulatory initiatives, the District is planning reductions in emissions of mercury and other pollutants at its coal-fired power plants. In particular, under the terms of a consent agreement with the EPA, the District agreed in 2008 to install additional pollution control equipment at CGS at a projected cost of approximately $539.0 million, with work completed in June 2014.

The full significance of air-quality standards and emissions-reduction initiatives to the District in terms of costs and operational problems is difficult to predict, but recent regulatory actions mean that costly equipment will be added to units now in operation. In addition, the cost of fossil fuel purchased by the District may increase and permit fees may increase significantly, resulting in potentially material cost to the District as well as reduced generation. The District is assessing the risk of policy initiatives on its generation assets and is developing contingency plans to comply with future laws and regulations relating to renewable energy and restricting greenhouse gas (GHG) emissions. The District cannot predict the impact of such initiatives on the District at this time.

The District negotiated a Consent Order with the Arizona Department of Environmental Quality (ADEQ), pursuant to which the District will delay compliance with current Arizona limitations on mercury emissions until 2016, and instead implemented a control strategy designed to achieve a 70% reduction of mercury emissions at CGS on a facility-wide annual average basis beginning January 1, 2012 at an estimated annual cost of $2.4 million. The District and other utilities are working with the ADEQ in an effort to revise the Arizona rules but cannot predict the outcome at this time.

In February 2012, the EPA published its Mercury and Air Toxics Standards (MATS) rule, which contains emissions standards for hazardous air pollutants from existing and new coal- and oil-fired power plants under the Clean Air Act (CAA), including emissions of mercury, trace minerals, acid gases and organic compounds. These standards are effective in April 2015, unless one or more facilities are granted an extension under the CAA. Extension requests were granted for Coronado Generation Station (CGS) and Navajo Generation Station (NGS). Additional controls may be required at several of the coal-fired plants in which the District has an interest. The District is analyzing the final rule and potential effects on future operations at its coal-fired plants and cannot yet estimate the associated costs. The District anticipates this rule will require new controls for mercury at CGS and NGS, but has not yet made a final determination on control strategy at either facility.

Provisions of the EPA's Regional Haze Rule require emissions controls known as Best Available Retrofit Technology (BART) for coal-fired power plants and other industrial facilities that emit air pollutants that reduce visibility in Class I areas, such as national parks. The District has financial interests in several coal-fired power plants that are subject to the BART requirements.

The EPA proposed a BART determination for NGS in January 2013. The District owns 21.7% of NGS. The District believes that BART for NGS requires the installation on all three units of low-NOx burners and separated over-fired air (LNB/SOFA). The LNB/SOFA equipment has been installed on all three units at a total cost of approximately $45.0 million, of which the District's share was $9.8 million. Nevertheless, the EPA proposed a BART emissions limit for NGS of 0.055lb/MMbtu that would likely require the installation of post-combustion controls such as selective catalytic reduction (SCR). It is also possible that additional controls for sulfuric acid mist emissions and fine particulate matter will be required. Collectively these controls would cost approximately $1.1 billion, of which the District's share would be approximately $240.0 million. Based on the proposal, achievement of the proposed BART limit would be required by 2018. The EPA also proposed an alternative that would give the NGS owners credit for previous installation of low-NOx burners, and allow SCR to be installed on one unit per year between 2021 and 2023. The EPA also invited the submittal of other alternative proposals that achieve benefits equal to or greater than the EPA's proposal. In August 2013, the District and other interested parties reached an agreement on an alternative proposal (the NGS Proposal) that was then submitted to the EPA. Under the NGS Proposal, the total NOx emissions from 2009 to 2044 would be less than the emissions allowed by the EPA's proposal. The NGS Proposal includes two alternatives. Alternative A would require ceasing coal generation on one unit or reducing generation by January 1, 2020 if certain ownership changes occur, and installing SCR or equivalent technology on two units by 2030. Alternative B would require achievement of NOx emission reductions equivalent to the shutdown of one unit between 2020 and 2030, and submittal of annual Implementation Plans describing the operating scenarios to be used to achieve greater NOx emissions reductions than the EPA's proposal. The EPA issued a supplemental proposed rule on September 25, 2013, addressing the NGS Proposal. The District provided its comments to both proposals by the January 6, 2014 deadline. The EPA will consider all comments and prepare the final rule. The District anticipates the EPA will publish a final rule in the third quarter of 2014.

With respect to CGS, the District submitted a BART analysis to the ADEQ in 2008. The ADEQ completed its review of CGS and other BART-eligible sources and in 2011 sent a proposed State Implementation Plan (SIP) to the EPA that, among other things, accepted current controls at CGS as BART, subject to completion of pollution control equipment additions that are scheduled to be completed in 2014 pursuant to a consent decree. By letter dated November 17, 2011, the EPA indicated that it planned to develop a partial Regional Haze Federal Implementation Plan (FIP) for the State of Arizona, including potentially revisiting the BART determination for CGS to determine whether any additional pollution controls are warranted, such as the addition of SCR on the remaining unit. On December 5, 2012, the EPA finalized the FIP that which imposes new emissions limits for PM, SO_2, and NOx under the BART provisions of the rule. The limit for NOx will require installation of a second SCR system at CGS. The projected capital cost to the District of additional SCR at CGS is approximately $110 million. The District must meet the new limits by January 4, 2018. The District filed for judicial review of the final FIP with the U.S. Court of Appeals for the Ninth Circuit and filed an Administrative Petition for Reconsideration with the EPA. In April 2013, the EPA sent a letter to the District indicating it would grant the District's Petition for Reconsideration on a limited subset of

the concerns listed in the petition. The EPA has yet to publish a Federal Register notice granting the petition. Briefing on the merits of this matter has been completed. However, oral argument has not been scheduled. It is too soon to predict the outcome of this matter.

On August 6, 2012, the EPA issued its final BART determination for Four Corners that requires the installation of SCRs on all five units, or the closure of units 1, 2 and 3 and SCRs on units 4 and 5. SCR for units 4 and 5 could cost $530.0 million, of which the District's share would be $53.0 million. On December 30, 2013, APS, on behalf of the Four Corners co-owners, notified the EPA that they had chosen the alternative BART compliance strategy requiring the permanent closure of units 1, 2, and 3 by January 1, 2014 and installation and operation of SCR on units 4 and 5 by July 31, 2018.

The BART determinations for District-owned generating stations in Colorado were finalized on December 31, 2012. The final determination for Hayden Unit 2, in which the District owns 50%, requires installation of new emissions control equipment. According to Xcel Energy, the operating agent for Hayden, installation of SCR on Hayden Unit 2 will cost approximately $72.0 million, of which the District's share will be $36.0 million. The new emission control equipment is required to be in service by July 2016. The final determinations for Craig Units 1 and 2, in which the District owns 29%, required installation of emissions control equipment estimated by the operating agent, Tri-State, to cost approximately $213.1 million, of which the District's share for the two units would be $62.0 million, with necessary equipment to be in service by May 2017. However, in February and March 2013, two petitions for judicial review of the BART determination for Craig were filed by environmental organizations with the U.S. Court of Appeals for the Tenth Circuit. On July 10, 2014, a motion was filed with the Court indicating that the parties had reached a settlement that, if approved, would further reduce NOx emission limits for Craig Unit 1 from .028 lb/MMBtu, on a 30-day rolling average, to .07 lb/MMBtu, calculated on a 30 boiler-operating-day rolling average, with a compliance deadline of August 31, 2021. No changes would be required for Craig Unit 2, which continues to have a compliance deadline of May 2017.

In May 2009, the National Parks Conservation Association (NPCA) and other environmental and tribal groups, petitioned the U.S. Department of Interior - National Park Service (DOI) to certify to the EPA that visibility impairment in Grand Canyon National Park was "reasonably attributable" to oxides of nitrogen and particulate matter emissions from NGS (the NGS Petition). On February 16, 2010, NPCA and a similar coalition of environmental and tribal groups filed a similar petition with both the DOI and the U.S. Department of Agriculture – U.S. Forest Service (DOA) with respect to Four Corners, asking the DOI and the DOA to certify to the EPA that impairment of visibility in sixteen areas within 300 kilometers of Four Corners, including Grand Canyon National Park, among others, was reasonably attributable to pollutant emissions from Four Corners. However, the DOI and the DOA deferred action on the petitions pending completion of the BART determinations for the plants.

In 2009, the EPA contacted APS seeking detailed information regarding projects at and operations of Four Corners as a part of the EPA's national enforcement initiative under the new source review provisions of the CAA, and APS responded to the request. This initiative is focused on determining whether companies had failed to disclose major repairs or alternations to facilities that, in the opinion of the EPA, would have required the installation of new pollution control equipment under the CAA. The EPA's pursuit of the initiative has resulted in the installation of expensive pollution control equipment at various facilities. The District cannot predict the outcome of this matter.

On October 4, 2011, following earlier notices of intent to sue, Dine CARE, To' Nizhoni Ani, Sierra Club and National Parks Conservation Association, filed a citizen suit in the District Court of New Mexico against the co-owners of Four Corners, including the District, alleging violations of the Prevention of Significant Deterioration (PSD) provisions of the CAA. The plaintiffs alleged that the defendants made two sets of major modifications to units 4 and 5, in which the District owns 10%, which allowed the plant to significantly increase its emissions of pollutants without first obtaining a PSD permit. On January 13, 2012, the District was served with a Summons and First Amended Complaint asserting two additional claims related to Four Corners. In addition to the alleged PSD violations, the First Amended Complaint alleges violations of the New Source Performance Standards (NSPS)

arising from the same two sets of modifications. Among other things, the plaintiffs ask the court to enjoin operations at Four Corners until the defendants apply for and obtain a PSD permit and comply with the NSPS, order the Four Corners owners to install best available control technology, and order civil penalties, including a mitigation project. The owners of Four Corners filed two motions to dismiss all of the claims in the First Amended Complaint and briefing has been completed but the decision on those motions is stayed to allow the parties time to pursue settlement. The District cannot predict the outcome of this litigation.

On October 22, 2012, WildEarth Guardians filed a petition for review in the Ninth Circuit asking the court to review the BART Federal Implementation Plan for Four Corners. In its petition, WildEarth Guardians alleged that the final Four Corners BART rule results in more air pollution being emitted into the air than allowed by law and that the EPA failed to follow the requirements of the Endangered Species Act (ESA). APS, the operating agent for Four Corners, was granted intervention in the lawsuit in early December. On December 12, 2012, the EPA moved to dismiss the lawsuit or, in the alternative, to transfer the lawsuit to the 10th Circuit. On December 21, 2012, APS filed a response brief in support of the EPA's motion. In February 2013, in response to the motions by EPA and APS, the case was transferred to the Tenth Circuit. The briefing for this matter has been completed and oral argument was heard on January 23, 2014. To date no ruling has been made. The District is unable to predict the outcome of this matter. In addition, APS and the EPA recently filed letters with the Tenth Circuit to update the court that APS purchased Southern California Edison's forty-eight percent (48%) interest in units 4-5 at Four Corners on December 30, 2013 and shut down units 1-3 at the plant on December 31, 2013.

In December 2009, the EPA found that emissions of GHG endanger public health and welfare. In April 2010, the EPA issued a "timing" rule that allows the EPA to regulate emissions of GHG by stationary sources such as power plants. Subsequently, the EPA issued its "tailoring rule," which specifies thresholds that trigger permitting requirements for sources of GHG emissions. The rule applied to power plants on January 2, 2011. However, on June 30, 2014, the Supreme Court in *Utility Air Regulatory Group v. EPA*, rejected the EPA's tailoring rule. In March 2012, the EPA proposed a separate rule that would establish a single performance standard for CO_2 emissions from new power plants. The proposed standard would apply to all newly constructed fossil-fuel-fired facilities. Under direction from the President, the EPA revised and re-proposed this rule on September 2013 and subsequently published this rule in the Federal Register on January 8, 2014. The revised rule establishes separate CO_2 performance standards for coal-fired units and natural gas-fired units. The standards for new coal-fired units are between 1,000 and 1,100 lb CO2/MWh (gross), and would require use of carbon capture and sequestration technology, which has never been deployed in the Western United States. The standards for new natural gas-fired units are between 1,000 and 1,100 lb CO_2/MWh (gross), and are expected to be achievable for most new units without add-on controls. Additionally, under direction of the President, the EPA issued a draft proposal on June 2, 2014 to establish performance standards to reduce CO_2 emissions from existing fossil-fuel-fired power plants. The EPA expects to finalize these rules by June 2015. The District is still analyzing the proposed requirements and cannot predict the impact of these rules on its operations or finances at this time.

The California Legislature has enacted various GHG laws. As a result, the Los Angeles Department of Water and Power, one of the participants in NGS, and Southern California Edison Company, a participant in Four Corners units 4 and 5, have or will be selling their interests in those plants. In addition, legislation was passed at the Nevada legislature in June 2013 that requires Nevada Power Company, another participant in NGS, to withdraw from the plant by the end of 2019. The District is still analyzing these actions and cannot predict the impact on its operations or finances at this time.

Hazardous waste: The EPA issued a proposed rule seeking comments on regulatory options governing the handling and disposal of coal combustion residuals (CCRs), such as fly ash, bottom ash and flue gas desulfurization (FGD) sludge. The District disposes of CCRs in dry landfill storage areas at CGS and NGS, with the exception of wet surface impoundment disposal of FGD sludge at CGS. Both CGS and NGS sell a portion of their fly ash for beneficial reuse as a constituent in concrete production. The District also owns interests in joint participation plants, such as Four Corners, Craig, Hayden and Springerville, which dispose of CCRs in dry storage

areas and in wet surface impoundments. The regulated community, including utilities, strongly opposes regulation of CCRs as hazardous waste and Congress is considering legislation that would prohibit the EPA from regulating CCRs as hazardous waste. The EPA is expected to issue a final rule by December 19, 2014. At this time, the District is analyzing its options and it is too early to definitively estimate projected costs, but the costs could be substantial depending on the approach taken in the final rules.

Endangered Species: Several species listed as threatened or endangered under the Endangered Species Act (ESA) have been discovered in and around reservoirs on the Salt and Verde rivers, as well as C.C. Cragin Reservoir, which is operated by SRP. Potential ESA issues also exist along the Little Colorado River in the vicinity of CGS and Springerville. The District obtained Incidental Take Permits (ITPs) from the United States Fish and Wildlife Service (USFWS), which allow full operation of Roosevelt Dam on the Salt River and of Horseshoe and Bartlett Dams on the Verde River. The ITPs, and associated Habitat Conservation Plans (HCPs), identify the obligations, such as mitigation and wildlife monitoring, the District must undertake to comply with the ESA. The District has established trust funds to pay mitigation and monitoring expenses related to the implementation of both the Roosevelt HCP and Horseshoe-Bartlett HCP and believes it has recorded adequate reserves as a part of its environmental reserves to cover its related obligations. The District continues to assess the potential ESA liabilities along the Little Colorado River and at C.C. Cragin, and is working closely with the USFWS and other state and federal agencies to address potential species concerns as necessary, but cannot predict the ultimate outcome at this time.

On May 12, 2014, USFWS and the National Marine Fisheries Service (Services) published two ESA rules and one draft policy document, each addressing the designation and protection of critical habitat. The proposed rules and policy increase the discretion of the Services to designate broad areas of occupied and unoccupied habitat as critical habitat. Once a critical habitat is designated, the ESA prohibits other federal agencies from engaging in actions that adversely modify critical habitat. The proposed rules and policy are considered to be among the most significant developments involving critical habitat designation in years.

The District is reviewing the proposed rules and policy to determine potential impacts to the District's HCPs, on-going operations and new projects and will develop comment letters addressing specific issues and concerns from both a water and power utility perspective. The Services are providing a 60-day public comment period and the comment period has been extended to October 9, 2014. The District cannot predict the outcome at this time.

USFWS has finalized the listing of Northern Mexican and Narrowheaded garter snakes as threatened. The final rule has been sent to the Federal Register and will be published in July 2014. Critical habitat for these species has been proposed and the District is awaiting the draft economic analysis and environmental assessment.

Water Rights

The District and the Association are parties to a state water-rights adjudication proceeding initiated in 1976 that encompasses the entire Gila River System (the Gila River Adjudication). This proceeding is pending in the Superior Court for the State of Arizona, Maricopa County, and will eventually result in the determination of all conflicting rights to water from the Gila River and its tributaries, including the Salt and Verde rivers. The District and the Association are unable to predict the ultimate outcome of this proceeding.

In 1978, a water-rights adjudication was initiated in the Apache County Superior Court for the State of Arizona with regard to the Little Colorado River System and will eventually result in the determination of all conflicting rights to water from the Little Colorado River and its tributaries, including Clear Creek, the location of C.C. Cragin Dam and Reservoir. The District has filed its claim to water rights in this proceeding, which includes a claim for groundwater being used in the operation of CGS. The District is unable to predict the ultimate outcome of this

proceeding, but believes an adequate water supply for CGS will remain available and that the rights to C.C. Cragin will be confirmed.

The City of Prescott, together with the towns of Prescott Valley and Chino Valley, have plans to withdraw groundwater from the Big Chino Groundwater Sub-Basin and transport the water to their respective service areas for municipal and industrial uses. The District opposed these plans because of the potential that such pumping would deplete the base flow of the Verde River, which is delivered to and used by Association shareholders. The District is negotiating agreements with the parties that will satisfy its concerns.

Other Litigation

In the normal course of business, SRP is exposed to various litigations or is a defendant in various litigation matters. In management's opinion, the ultimate resolution of these matters will not have a material adverse effect on SRP's financial position or results of operations.

Self-Insurance

SRP maintains various self-insurance retentions for certain casualty and property exposures. In addition, SRP has insurance coverage for amounts in excess of its self-insurance retention levels. SRP provides reserves based on management's best estimate of claims, including incurred but not reported claims. In management's opinion, the reserves established for these claims are adequate and any changes will not have a material adverse effect on SRP's financial position or results of operations. SRP records the reserves in deferred credits and other non-current liabilities in the accompanying Combined Balance Sheets.

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APPENDIX B — SUMMARY OF THE RESOLUTION

SUMMARY OF THE RESOLUTION

The following is a summary of certain provisions of the Amended and Restated Bond Resolution. Such summary does not purport to be complete, and reference is made to the Resolution for full and complete statements of such provisions.

The purchasers of the 2015 Series A Bonds, by virtue of their purchase of the 2015 Series A Bonds, will consent to certain amendments to the Resolution (the "Proposed Amendments"). The Proposed Amendments are described in ***bold italic*** font in the forepart of this Official Statement under "SECURITY FOR 2015 Series A BONDS – Debt Reserve Account," "– Rate Covenant" and "– Limitations on Additional Indebtedness" and in this summary of the Resolution under the captions "Certain Definitions," "Additional Bonds" and "Electric System Rate Covenant." The Proposed Amendments will become effective when the written consents of the Holders of at least two-thirds of the Bonds Outstanding have been filed with the Trustee as provided in the Resolution.

Certain Definitions

The following are definitions in summary form of certain terms contained in the Resolution and used herein and in the Official Statement:

Accounting Practice: Generally accepted accounting principles appropriate to the electric utility industry.

Aggregate Debt Service: For any fiscal year, and as of any date of calculation, the sum of the amounts of Debt Service for such year with respect to all Series.

Cost of Construction: The District's cost of physical construction, costs of acquisition by or for the District of a Project for the Electric System, and costs of the District incidental to such construction or acquisition, the cost of any indemnity and surety bonds and premiums on insurance during construction, engineering expenses, legal fees and expenses, cost of financing, audits, fees and expenses of the Fiduciaries, amounts, if any, required by the Resolution or any Series Resolution to be paid into the Debt Service Fund upon the issuance of any Series of Revenue Bonds, payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the District (other than the Revenue Bonds) incurred for a Project for the Electric System, costs of machinery, equipment and supplies and initial working capital and reserves required by the District for the commencement of operation of a Project for the Electric System, and any other costs properly attributable to such construction or acquisition, as determined by Accounting Practice, and shall include reimbursement to the District for any such items of Cost of Construction theretofore paid by the District. Any Series Resolution may provide for additional items to be included in the aforesaid Cost of Construction.

Debt Reserve Account Credit Facility: A letter of credit, revolving credit agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution, having a rating in the highest rating category from a nationally recognized rating agency, which shall be deposited in the Debt Reserve Account and which provides for the payment of all or a portion of the Debt Reserve Requirement.

Debt Reserve Requirement: As of any date of calculation, an amount equal to one-half of the average annual interest cost for all Outstanding Revenue Bonds, which may be satisfied by the deposit of cash or securities in the Debt Reserve Account or by the deposit of a Debt Reserve Account Credit Facility in the Debt Reserve Account in lieu of or in partial substitution for cash or securities on deposit therein. For purposes of determining the average annual interest cost for any Outstanding Bonds which bear interest at a variable rate, the District shall assume the same average interest cost applicable to such Outstanding Bonds for the previous Fiscal Year.

Debt Service: For any period, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on Revenue Bonds of such Series (except to the extent that such

interest is to be paid from deposits in the Debt Service Account in the Debt Service Fund made from Revenue Bond proceeds, as described in the Resolution), and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if there be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment). Such interest and Principal Installments for such Series shall be calculated on the assumption that no Revenue Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

Defeasance Securities: Any of the following securities, if and to the extent the same are at the time legal for investment of District funds:

(i) Any security which is (a) a direct obligation of or unconditionally guaranteed by, the United States of America or the State of Arizona or (b) an obligation of an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which is not callable or redeemable at the option of the issuer thereof;

(ii) Any depositary receipt issued by a bank as custodian with respect to any Defeasance Securities which are specified in clause (i) above and held by such bank for the account of the holder of such depository receipt, or with respect to any specific payment of principal or interest on any such Defeasance Securities which are so specified and held, by such bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any such Defeasance Securities which are so specified and held, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Defeasance Securities or the specific payment of principal or interest evidenced by such depositary receipt;

(iii) Certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances whose maturity value shall not be greater than 1/25 of the capital and surplus of the accepting bank or commercial paper issued by the parent holding company of any such bank which at the time of investment has an outstanding unsecured, uninsured and unguaranteed debt issue rated in the highest short term rating category by a nationally recognized rating agency;

(iv) Any obligation of any state or political subdivision of a state or of any agency or instrumentality of any state or political subdivision ("Municipal Bond") which Municipal Bond is fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holder of the Municipal Bond, and which Municipal Bond is rated in the highest rating category by at least two nationally recognized rating agencies, and provided, however, that such Municipal Bond is accompanied by (1) a Counsel's Opinion to the effect that such Municipal Bond will be required for the purposes of the investment being made therein and (2) a report of a nationally recognized independent certified account verifying that the moneys and obligations so segregated are sufficient to pay the principal of, premium, if any, and interest on the Municipal Bond; and

(v) Any other security designated in a Series Resolution as Defeasance Securities for purposes of defeasing the Bonds authorized by such Series Resolution.

Electric System: Properties and assets to which legal title is vested in the District and was so vested on the date of adoption of the Resolution and all properties and assets acquired by the District as renewals and replacements, additions and expansion, and improvements thereto, as recorded in the books of the District pursuant to Accounting Practices, but shall not include properties and assets that may be hereafter purchased, constructed or otherwise acquired by the District as a separate system or facility, the revenue of which may be pledged to the payment of bonds or other forms of indebtedness issued to purchase, construct or otherwise acquire such separate system or facility and shall not include properties or assets charged to Irrigation Plant or any Separately Financed Project.

***Federal Subsidy:** Any subsidy, reimbursement or other payment from the federal government of the United States of America under the American Recovery and Reinvestment Act of 2009 (or any similar legislation or*

regulation of the federal government of the United States of America or any other governmental entity or any extension of any of such legislation or regulation).

Fiscal Year: The period commencing May 1 and ending April 30 for each twelve-month period or any other consecutive twelve month period designated by the District from time to time.

Investment Securities: Any securities if and to the extent the same are at the time legal for investment of District funds.

Irrigation Plant: All land and land rights, structure, facilities and equipment used or usable by the District or the Salt River Valley Water Users' Association solely for the development, storage, transportation, distribution and delivery of water to the owners or occupants of the lands within the Salt River Project having rights thereto or to anyone acting on behalf thereof pursuant to contracts with the Salt River Valley Water Users' Association or the District.

Operating Expenses: The District's expenses of operating the Electric System, including, without limiting the generality of the foregoing, all costs of purchased power, operation, maintenance, generation, production, transmission, distribution, repairs, replacements, engineering and transportation required for the operation of the Electric System (including any payments made pursuant to a "take-or-pay" electric supply or energy contract that obligates the District to pay for fuel, energy or power, so long as fuel or energy is delivered or made available for delivery), administrative and general, audit, legal, financial, pension, retirement, health, hospitalization, insurance, taxes and any other expenses actually paid or accrued, without limitation, expenses of the District applicable to the Electric System, as recorded on its books pursuant to Accounting Practice and any other expenses of the District applicable to the Electric System, as recorded on its books pursuant to Accounting Practice, and any other expenses incurred or payments by the District under the provisions of the Resolution or in discharge of obligations required to be paid by local, state or federal laws, all to the extent properly allocable to the Electric System under Accounting Practice, including those expenses the payment of which is not immediately required, such as those expenses related to the funding of a reserve in the Operating Fund. Operating Expenses shall not include any costs or expenses for new construction, falling water used in hydroelectric operations of the District, charges for depreciation, voluntary payments in lieu of taxes and operation, maintenance, repairs, replacement and construction of the Irrigation Plant.

Principal Installment: As of any date of calculation, and with respect to any Series of Revenue Bonds, (i) the principal amount of Revenue Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for bonds of such Series, plus the amount of sinking fund redemption premiums, if any, which would be applicable upon redemption of such Revenue Bonds in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments or (iii) if such future dates coincide as to different Revenue Bonds of such Series, the sum of such principal amount of Revenue Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

Project: The purchase, replacement, construction, leasing or acquisition of any real or personal property or interest therein, works or facilities which the District is authorized by law to purchase, replace, construct, lease or otherwise acquire, or the improvement, reconstruction, extension or addition to any real or personal property, works or facilities owned or operated by the District, or any program of development involving real or personal property, works or facilities which the District is authorized by law to purchase, replace, construct, lease or otherwise acquire or the improvement, reconstruction, extension or addition to such program.

Put Bonds: Bonds which, by their terms, may be tendered by and at the option of the owner thereof, or are subject to a mandatory tender, for payment or purchase prior to the stated maturity or redemption date thereof.

Rate Stabilization Fund: The Salt River Project Electric System Rate Stabilization Fund established in the Resolution.

Revenues: (i) All revenues, income, rents and receipts derived by the District from the ownership and operation of the Electric System and the proceeds of any insurance covering business interruption loss relating to the Electric System and (ii) interest received on any moneys or securities (other than in the Construction Fund) held pursuant to the Resolution and paid into the Revenue Fund, but not including any such income or receipts attributable directly or

indirectly to the ownership or operation of any Separately Financed Project and not including any federal or state grant monies the receipt of which is conditioned upon their expenditure for a particular purpose.

Revenues Available for Debt Service: For any fiscal year or period of 12 calendar months shall mean all Revenues less Operating Expenses for such Fiscal Year or period.

Trustee: The Trustee is currently U.S. Bank National Association.

(Resolution, Section 1.01).

Pledge of Revenues and Funds

The payment of the principal and redemption price of, and interest on, the Revenue Bonds is secured by (i) the proceeds of sale of the Bonds, (ii) the Revenues, and (iii) all Funds (except the Rate Stabilization Fund) established by the Resolution, including the investments, if any, thereof.

(Resolution, Section 5.01).

Additional Bonds

The District may from time to time issue Bonds pursuant to a Series Resolution which will rank on a parity with and be secured by an equal charge and lien on the Revenues, upon satisfaction of the conditions to the issuance of Bonds contained in Section 2.02 of the Resolution, only if, (a) Revenues Available For Debt Service, adjusted as provided in this caption, of any 12 consecutive calendar months out of the 24 calendar months next preceding the issuance of such proposed additional Bonds, are not less than one and ten hundredths (1 10/100) times the maximum total Debt Service for any succeeding year on all Bonds which will be outstanding immediately prior to the issuance of the proposed additional Bonds, and (b) the estimated Revenues Available For Debt Service, adjusted as provided in this caption, for each of the five (5) Fiscal Years immediately following the issuance of such proposed additional Bonds are not less than one and ten hundredths (1 10/100) times the total, for each such respective Fiscal Year, of the Debt Service on all Bonds which will be outstanding immediately subsequent to the issuance of the proposed additional Bonds.

Prior to the issuance of any additional Bonds evidencing additional indebtedness, the payment of principal, interest and Redemption Price of which additional Bonds will be a lien on the Revenues on a parity with previously issued Series of Bonds, the District shall obtain a certificate of an Authorized Officer of the District evidencing full compliance with the provisions of this caption.

In determining the amount of Revenues Available For Debt Service for the purposes of this caption, the Authorized Officer of the District may adjust the Revenues Available For Debt Service by adding thereto the following:

(i) in the event the District shall have acquired an operating utility or facility subsequent to the beginning of the 12 month period selected pursuant to this caption, an estimate made by an Authorized Officer of the District of such additional Revenues Available For Debt Service for such 12 month period which would have resulted had such operating utility or facility been acquired at the beginning of such 12 month period;

(ii) in the event any adjustment of rates with respect to the Electric System shall have become effective subsequent to the beginning of the 12 month period selected pursuant to this caption, an estimate made by an Authorized Officer of the District of such additional Revenues Available For Debt Service for such 12 month period which would have resulted had such rate adjustment been in effect for the entire period; and

(iii) an estimate made by an Authorized Officer of the District of the amounts from the Rate Stabilization Fund which have been transferred to pay Debt Service for the 12 month period selected pursuant to this caption.

In determining the amount of estimated Revenues Available For Debt Service for the purpose of this caption, the Authorized Officer of the District may adjust the estimated Revenues Available For Debt Service by adding thereto any estimated increase in revenue resulting from any increase in electric rates or any amount on deposit in the Rate

Stabilization Fund which is expected to be transferred by the District to pay Debt Service or to offset any increase in electric rates, which, in the opinion of the Authorized Officer of the District, are economically feasible, and reasonably considered necessary based on projected operations for such 5 year period.

For purposes of the calculations specified in this section: (1) any calculation of Debt Service on Outstanding Bonds for any period of time shall be reduced by the amount of any Federal Subsidy that the District receives, or expects to receive, during such period of time relating to or in connection with such Outstanding Bonds; and (2) to the extent the calculation of Debt Service on Outstanding Bonds is reduced by the Federal Subsidy as provided in clause (1) of this paragraph, any calculation of Revenues for any period of time shall be reduced by the amount of any Federal Subsidy received or expected to be received by the District with respect to or in connection with such Outstanding Bonds during such period of time.

The certificate required by this caption shall be conclusive evidence and the only evidence required to show compliance with the provisions and requirements of this caption.

(Resolution, Section 2.04).

Refunding Bonds

One or more Series of Refunding Bonds may be issued at any time to refund any part or all of the Bonds of any one or more Series then Outstanding. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Debt Service Fund required by this caption or by the provisions of the Series Resolution authorizing such Bonds.

Refunding Bonds of each Series issued to refund any part or all of the Bonds of any one or more Series then Outstanding may be delivered by the District upon receipt by the Trustee of:

(a) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a redemption date specified in such instructions;

(b) If the Bonds to be refunded are not by their terms subject to redemption within the next succeeding 60 days, irrevocable instructions to the Trustee, satisfactory to it, to make due publication of the notice provided for under the caption entitled "Defeasance" to the Holders of the Bonds being refunded;

(c) Either (i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for the benefit of such Refunding Bonds until such time as such amount shall be assigned to the respective Holders of the Bonds to be refunded for payment of the Redemption Price of the Bonds to be refunded, together with accrued interest, on the redemption date, or (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions under the caption entitled "Defeasance" and any moneys required pursuant to said caption, which Defeasance Securities and moneys shall be held in trust and used only as provided in subsection (c)(i) of this caption; and

(d) Either (i) a certificate of an Authorized Officer of the District as required by the caption entitled "Additional Bonds" or (ii) a certificate of an Authorized Officer of the District setting forth (1) the Aggregate Debt Service for the then current and each future Fiscal Year to and including the Fiscal Year next preceding the date of the latest maturity of any Bonds of any Series then Outstanding (A) with respect to the Bonds of all Series Outstanding immediately prior to the date of delivery of such Refunding Bonds, and (B) with respect to the Bonds of all Series to be Outstanding immediately thereafter, and (2) that the Aggregate Debt Service set forth for each Fiscal Year pursuant to (B) above is no greater than that set forth for such Fiscal Year pursuant to (A) above.

The proceeds, including accrued interest, of the Refunding Bonds of each such Series shall be applied simultaneously with the delivery of such Bonds in the manner provided in the Series Resolution authorizing such Bonds.

Any balance of the proceeds of Refunding Bonds not needed for the purposes provided in this caption or in the Series Resolution authorizing such Bonds may be used by the District, to the extent necessary, to pay any expenses incurred in connection with the issuance of such Refunding Bonds and, thereafter, any remaining balance not so needed by the District shall be deposited in the Revenue Fund.

(Resolution, Section 2.05).

Separately Financed Projects

Nothing in this Resolution shall prevent the District from authorizing and issuing bonds, notes or other obligations or evidences of indebtedness, other than Bonds, for any project authorized by the Act, or from financing any such project from other available funds (such project being referred to herein as a "Separately Financed Project"), if the debt service on such bonds, notes, or other obligations or evidences of indebtedness, if any, and the District's share of any operating expenses related to such Separately Financed Project, are payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project.

(Resolution, Section 2.06).

Subordinated Indebtedness

The District may, at any time, or from time to time, issue evidences of indebtedness payable out of Revenues and which may be secured by a pledge of Revenues; provided, however, that such pledge shall be and shall be expressed to be, subordinate in all respects to the pledge of the Revenues, moneys, securities and funds created by the Resolution.

(Resolution, Section 5.09).

Establishment of Funds and Application Thereof

The Resolution creates and establishes the following Funds and Accounts:

(1) Salt River Project Electric System Construction Fund, to be held by the District,

(2) Salt River Project Electric System Revenue Fund, to be held by the District,

(3) Salt River Project Electric System Debt Service Account, to be held by the Trustee,

(4) Salt River Project Electric System Debt Reserve Account, to be held by the Trustee,

(5) Salt River Project Electric System Rate Stabilization Fund, to be held by the District, and

(6) Salt River Project Electric System Redemption Fund, to be held by the Trustee.

Construction Fund: There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of the Resolution, and there may be paid into the Construction Fund, at the option of the District, any moneys received for or in connection with the Electric System by the District from any other source, unless required to be otherwise applied as provided by the Resolution.

The proceeds of insurance maintained pursuant to the Resolution against physical loss of or damage to a Project, or of contractors' performance bonds with respect thereto, pertaining to the period of construction thereof, shall be paid into the Construction Fund.

Unless otherwise provided herein, amounts in the Construction Fund shall be applied to the purpose or purposes specified in the Series Resolution authorizing the Bonds.

Notwithstanding any of the other provisions of this subheading, to the extent that other moneys are not available therefor, amounts in the Construction Fund shall be applied to the payment of principal of and interest on Bonds when due.

Amounts in the Construction Fund shall be invested by the District to the fullest extent practicable in Investment Securities maturing in such amounts and at such times as may be necessary to provide funds when needed to pay the Cost of Construction or such other purpose to which such moneys are applicable. The District may, and to the extent required for payments from the Construction Fund shall, sell any such Investment Securities at any time, and the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in the Construction Fund. Interest received on moneys or securities in the Construction Fund shall be deposited in the Construction Fund.

Revenues and Revenue Fund: The Resolution establishes a Revenue Fund and provides that there shall be promptly deposited by the District to the credit of the Revenue Fund all Revenues.

Payment of Operating Expenses: The District (a) shall out of the moneys in the Revenue Fund, pay, free and clear of any lien or pledge created by the Resolution, all amounts required for reasonable and necessary Operating Expenses, and (b) may at all times retain in the Revenue Fund amounts deemed by the District to be reasonable and necessary for working capital and reserves for Operating Expenses including expenses which do not recur annually; provided that the total amount of such reserves set aside during any year shall not exceed 20% of the amount of Operating Expenses for such year.

Payments Into Certain Funds: The District shall out of the moneys in the Revenue Fund not retained therein pursuant to this subheading, on or before each date for the payment of Debt Service, transfer and apply such amount to the Debt Service Fund (i) for credit to the Debt Service Account, to the extent required so that the balance in said Account shall equal the Aggregate Debt Service; provided that, for the purposes of computing the amount to be allocated to said Account, there shall be excluded the amount, if any, set aside in said Account which was deposited therein from the Rate Stabilization Fund or from the proceeds of Bonds less an amount equal to the interest accrued and unpaid and to accrue on Bonds (or any Refunding Bonds issued to refund Bonds) to the last day of the then current calendar month; and (ii) for credit to the Debt Reserve Account, an amount equal to one-twelfth of twenty percent (1/12 of 20%) of the amount necessary to make the total amount of moneys on deposit therein equal to the Debt Reserve Requirement; provided, however, that no deposits shall be required if the District shall deposit a Debt Reserve Account Credit Facility in the Debt Reserve Account in satisfaction of the Debt Reserve Requirement.

The District may out of the moneys in the Revenue Fund not retained therein pursuant to this subheading or applied pursuant to this subheading, upon a determination by an Authorized Officer of the District at any time prior to the next Debt Service payment date that sufficient funds are or will be available in the Debt Service Account to pay Debt Service on the next Debt Service payment date and that sufficient moneys, securities or a Debt Reserve Account Credit Facility equal to the Debt Reserve Requirement are or will be on deposit in the Debt Reserve Account to satisfy the Debt Reserve Requirement, transfer such amount as follows and in the following order:

(1) To the Rate Stabilization Fund, an amount deemed necessary by the District which may be used by the District for any lawful purpose; and

(2) To the General Fund, any such remaining balance in the Revenue Fund. Any amount so transferred to the General Fund of the District may be used by the District for any lawful purpose.

Provided, however, that so long as there shall be held in the Debt Service Fund an amount sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made into the Debt Service Fund.

Debt Service Fund: Debt Service Account: The Trustee shall pay out of the Debt Service Account to the respective Paying Agents (i) on or before each interest payment date for any of the Bonds, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date; and (iii) on or before the day preceding any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. Such amounts shall be

applied by the Paying Agents on and after the due dates thereof. The Trustee shall also pay out of the Debt Service Account the accrued interest included in the purchase price of the Bonds purchased for retirement.

Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) may and, if so directed by the District, shall be applied by the Trustee, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, to (i) the purchase of Bonds of the Series for which such Sinking Fund Installment was established, or (ii) the redemption at the applicable sinking fund Redemption Prices pursuant to Article IV of the Resolution, of such Bonds, if then redeemable by their terms. After the 60th day but on or prior to the 40th day preceding the due date of such Sinking Fund Installment, any amounts then on deposit in the Debt Service Account (exclusive of amounts, if any, set aside in said Account which were deposited therein from the proceeds of additional Bonds) may and, if so directed by the District, shall be applied by the Trustee to the purchase of Bonds of the Series for which such Sinking Fund Installment was established in an amount not exceeding that necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. All purchases of any Bonds pursuant to this subheading shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases shall be made in such manner as the Trustee shall determine. The applicable sinking fund Redemption Price (or principal amount of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Account until such Sinking Fund Installment date, for the purpose of calculating the amount of such Account. As soon as practicable after the 40th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, by giving notice as provided in Section 4.05 of the Resolution, on such due date Bonds of the Series for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The Trustee shall pay out of the Debt Service Account to the appropriate Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Bonds shall be paid by the District from the Revenue Fund as an Operating Expense.

The amount, if any, deposited in the Debt Service Account from the proceeds of each Series of Bonds shall be set aside in such Account and applied to the payment of interest on the Bonds of such Series (or Refunding Bonds issued to refund such Bonds) as the same becomes due and payable.

Debt Reserve Account: If on the first working day of any month the amount on deposit in the Debt Reserve Account shall be less than the Debt Reserve Requirement, the Trustee shall apply amounts from the Debt Service Fund to the extent necessary to make good the deficiency. In the event that there is on deposit in the Debt Reserve Account moneys and a Debt Reserve Account Credit Facility, the Trustee shall withdraw moneys prior to making a draw or claim, as the case may be, on a Debt Reserve Account Credit Facility.

Whenever the amount on deposit in the Debt Reserve Account shall exceed the Debt Reserve Requirement, such excess shall be allocated and applied by the District in the same manner as Revenues pursuant to the subheading entitled "Payments Into Certain Funds" under the caption entitled "Establishment of Funds and Application Thereof".

Whenever the amount in the Debt Reserve Account, together with the amount in the Debt Service Account, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), the funds on deposit in the Debt Reserve Account shall be transferred to the Debt Service Account.

The District may cause to be delivered to the Trustee for deposit into the Debt Service Account, and the Trustee shall upon its receipt so deposit, a Debt Reserve Account Credit Facility for the benefit of the Bondholders, which Debt Reserve Account Credit Facility shall be payable or available to be drawn upon, as the case may be (upon the giving of notice as required thereunder), on any date on which a deficiency in the Debt Service Fund exists which cannot be cured by moneys in any other fund or account held hereunder and available for such purpose; provided, however, (i) if a disbursement is made under the Debt Reserve Account Credit Facility, the District shall either reinstate the maximum limits of such Debt Reserve Account Credit Facility within twelve (12) months following such disbursement equal to the Debt Reserve Requirement or deposit into the Debt Reserve Account moneys in the

amount of the disbursement made under such Debt Reserve Account Credit Facility, or a combination of such alternatives as shall equal the Debt Reserve Requirement; (ii) if any such Debt Reserve Account Credit Facility for deposit in the Debt Service Reserve Fund is obtained and if six (6) months prior to the expiration thereof, the Debt Reserve Account is less than the Debt Reserve Requirement, the District shall cause the reinstatement of the maximum limits of such existing Debt Reserve Account Credit Facility, or shall obtain a substitute to the extent necessary to fund the Debt Reserve Account at the Debt Reserve Requirement; and (v) if a nationally recognized rating agency shall downgrade the rating of the Bonds, if any, as a result of such deposit of any such Debt Reserve Account Credit Facility or the rating of the provider thereof drops below the highest rating category for a nationally recognized rating agency, then the District shall deliver to the Trustee for deposit in the Debt Reserve Account a replacement of such Debt Reserve Account Credit Facility, in like amount and form acceptable to the Trustee and such that the nationally recognized rating agency will not reduce or withdraw their ratings, if any, on the Bonds, or deposit moneys in an amount sufficient to fund the Debt Reserve Account in an amount equal to the Debt Reserve Requirement within twelve (12) months following such downgrade.

Rate Stabilization Fund: There may be deposited in the Rate Stabilization Fund any amounts deemed necessary by the District to be used for any lawful purpose of the District, including but not limited to making any deposits required by the Resolution to any Fund, as determined by the District; provided, however, that no such deposit to any such Fund shall be required; provided further, however, that if at any time the amounts in the Operating Fund or Debt Service Fund shall be less than the current requirements thereof, the District shall withdraw from the Rate Stabilization Fund and deposit in such other Funds the amount necessary (or all the moneys in the Rate Stabilization Fund, if less than the amounts necessary, applying available amounts in the order of priority and otherwise as specified under the subheading entitled "Payments Into Certain Funds" under the caption entitled "Establishment of Funds and Application Thereof") to make up such deficiency. Amounts on deposit in the Rate Stabilization Fund may be invested by the District to the fullest extent practicable in Investment Securities. The District may sell any such Investment Securities at any time, and the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in the Rate Stabilization Fund. Interest received on moneys or securities in the Rate Stabilization Fund shall be deposited in the Rate Stabilization Fund. Amounts in the Rate Stabilization Fund which the District may determine to be in excess of the amount required to be maintained therein shall be transferred to the Revenue Fund. Amounts on deposit in the Rate Stabilization Fund are not subject to the lien or pledge created by the Resolution.

Redemption Fund: There shall be deposited in the Redemption Fund amounts required to be deposited therein pursuant to the subheading entitled "Creation of Liens: Sale and Lease of Properties" under the caption entitled "Certain Other Covenants" and the caption entitled "Reconstruction; Application of Insurance Proceeds". Amounts in the Redemption Fund shall be used by the District for the purchase or redemption of any Bonds, and expenses in connection with the purchase or redemption of any Bonds.

(Resolution, Sections 5.02-5.08; 5.10).

Operation and Maintenance of Electric System

The District shall at all times operate or cause to be operated the Electric System properly and in an efficient and economical manner, consistent with good business and utility operating practices, and shall maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Electric System may be properly and advantageously conducted; provided, however, that nothing contained herein shall prevent the District from exercising its powers under the subheading entitled "Creation of Liens: Sale and Lease of Properties" under the caption entitled "Certain Other Covenants"; provided further, however, that any sale-leaseback or lease-leaseback of any part of the Electric System or other similar contractual arrangements, the effect of which is that the District continues to retain the Revenues therefrom, shall not constitute a lease or disposition of such part of the Electric System for purposes described under the subheading entitled "Creation of Liens: Sale and Lease of Properties" under the caption entitled "Certain Other Covenants" and any proceeds therefrom shall be treated as Revenues.

(Resolution, Section 7.10).

Reconstruction; Application of Insurance Proceeds

If any useful portion of the Electric System shall be damaged or destroyed, the District shall, as expeditiously as possible, continuously and diligently prosecute the reconstruction or replacement thereof, unless the District determines that such reconstruction and replacement is not in the interest of the District and the Bondholders. The proceeds of any insurance shall be paid on account of such damage or destruction, other than business interruption loss insurance, shall be held by the District in the Construction Fund and made available for, and to the extent necessary be applied to, the cost of such reconstruction or replacement, or shall be applied to the construction or acquisition of any properties or assets of the Electric System. Pending such application, such proceeds may be invested by the District in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to pay such cost of reconstruction or replacement or acquisition. Interest earned on such investments shall be deposited in the Construction Fund. The proceeds of any such insurance not applied by the District to constructing or replacing damaged or destroyed property or in acquiring property or assets of the Electric System shall be paid to the Trustee for deposit in the Redemption Fund.

The proceeds of business interruption loss insurance, if any, shall be paid into the Revenue Fund.

(Resolution, Section 7.13).

Transfer from General Fund

In the event there is a deficiency in the Debt Service Account and if such a deficiency is not paid from other sources, the District shall transfer money in the General Fund to the Debt Service Account an amount sufficient to make up such deficiency.

(Resolution, Section 7.17).

Electric System Rate Covenant

The District shall charge and collect rates, fees and other charges for the sale of electric power and energy and other services, facilities and commodities of the Electric System as shall be required to provide revenues and income (including investment income) at least sufficient in each Fiscal Year for the payment of the sum of:

(a) Operating Expenses during such Fiscal Year, including reserves, if any, therefor provided for in the Annual Budget for such year;

(b) An amount equal to the Aggregate Debt Service for such Fiscal Year;

(c) The amount, if any, to be paid during such Fiscal Year into the Debt Reserve Account in the Debt Service Fund; and

(d) All other charges or liens whatsoever payable out of revenues and income during such Fiscal Year and, to the extent not otherwise provided for, all amounts payable on Subordinated Indebtedness.

If, in any Fiscal Year, the revenues and income collected shall not have been sufficient to provide all of the payments and meet all other requirements as specified in the preceding paragraphs in this caption, the District shall as promptly as permitted by law establish and place in effect a schedule of rates, fees and charges which will cause sufficient revenues and income to be collected. For purposes of this caption, at any time, revenues and income collected shall include any amounts withdrawn or expected to be withdrawn thereafter in any Fiscal Year from the Rate Stabilization Fund which were on deposit therein prior to such Fiscal Year.

The failure in any Fiscal Year to comply with the Electric System Rate Covenant shall not constitute an Event of Default under the Resolution, if the District shall comply with the requirements of the immediately preceding paragraph.

For purposes of the calculations specified in this section: (1) any calculation of Debt Service on Outstanding Bonds for any period of time shall be reduced by the amount of any Federal Subsidy that the District receives or expects to receive during such period of time relating to or in connection with such Outstanding Bonds; and (2) to the extent the calculation of Debt Service on Outstanding Bonds is reduced by the Federal Subsidy as provided

in clause (1) of this paragraph, any calculation of Revenues for any period of time shall be reduced by the amount of any Federal Subsidy received or expected to be received by the District with respect to or in connection with such Outstanding Bonds during such period of time.

(Resolution, Section 7.11).

Certain Other Covenants

No Free Service: The District will not furnish or supply power or energy free of charge to any person, firm or corporation, public or private, and the District shall promptly enforce the payment of any and all accounts owing to the District by reason of the ownership and operation of the Electric System, to the extent dictated by sound business practice.

(Resolution, Section 7.11-3).

Power to Operate Electric System and Collect Rates and Fees: The District has good right and lawful power to construct, reconstruct, improve, maintain, operate and repair the Electric System, and to fix and collect rates, fees, rents and other charges in connection therewith.

(Resolution, Section 7.06).

Creation of Liens; Sale and Lease of Property: The District shall not hereafter issue any bonds or other evidences of indebtedness payable out of or secured by a pledge of any revenues or income of the Electric System, except as in this Resolution provided.

The District shall not issue any bonds or other evidences of indebtedness other than the Bonds, payable out of or secured by a pledge of any revenues or income of the Electric System or of the moneys, securities or funds held or set aside by the District or by the Fiduciaries under the Resolution and shall not create or cause to be created any lien or charge on any revenues or income of the Electric System, or such moneys, securities or funds; provided, however, that nothing contained in the Resolution shall prevent the District from issuing Subordinated Indebtedness as provided in the caption entitled "Subordinated Indebtedness", and provided further that the District may, for its authorized purposes, make or assume loans with the United States of America, which loans may be secured by lien on revenues and income of the Electric System prior to the lien of the Bonds issued hereunder.

The District may sell or exchange at any time and from time to time any property constituting part of the Electric System and may lease or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the Electric System if (i) in the sole judgment of the District it is advisable to take such action, (ii) such action shall not impair the ability of the District to make Debt Service payments, and (iii) such action does not materially impede or unduly restrict the operation by the District of the Electric System. Except as provided under the caption entitled "Operation and Maintenance of Electric System", any proceeds of any such sale, exchange, lease, contract or license shall at the discretion of the District be deposited in the Redemption Fund for application to the purchase or redemption of Bonds or be applied for any lawful purpose.

(Resolution, Section 7.07).

Insurance: The District shall provide protection for the Electric System in accordance with sound electric utility practice which may consist of insurance, self-insurance and indemnities. Any insurance shall be in the form of policies or contracts for insurance with insurers of good standing, shall be payable to the District as its interest may appear, and may provide for such deductibles, exclusions, limitations, restrictions and restrictive endorsements customary in policies for similar coverage issued to entities operating properties similar to the properties of the Electric System. Any self-insurance shall be in the amounts, manner and of the types provided by entities operating properties similar to the properties of the Electric System.

(Resolution, Section 7.12).

Accounts and Reports: The District shall keep, in accordance with Accounting Practice, proper books of record and account of its transactions relating to the Electric System and the Funds and Accounts established by the

Resolution, together with all contracts for the sale of power and energy and all other books and papers of the District, including insurance policies, relating to the Electric System and such Funds and accounts.

The Trustee shall advise the District promptly after the end of each month of its transactions during such month relating to the funds and accounts held by it under the Resolution.

The District shall annually, within 180 days after the close of each fiscal year, file with the Trustee, and otherwise as provided by law, a copy of the annual report of the District for such year, accompanied by an Accountant's Report. In addition, the District will file with the Trustee a statement, or statements, accompanied by an Accountant's Report of each fund and account established under the Resolution, summarizing the receipts therein and disbursements therefrom during such year and the amounts held therein at the end of each year. Such Accountant's Report on the statement summarizing the transactions in the funds established under the Resolution shall state whether or not, to the knowledge of the signer, the District is in default with respect to any of the covenants, agreements or conditions as set forth under the subheading entitled "Events of Default" under the caption entitled "Events of Default and Remedies", insofar as they pertain to accounting matters and, if so, the nature of such default; provided, however, that to the extent such statement would be contrary to the then current recommendations of the American Institute of Certified Public Accountants or other governing or regulatory entities that provide similar guidance, the District may file a certificate with the Trustee executed by an Authorized Officer of the District certifying to those matters not otherwise stated in the Accountant's Report, which District certification, together with the Accountant's Report so filed, shall be deemed to have satisfied the requirements of this paragraph.

The reports, statements and other documents required to be furnished to the Trustee pursuant to this caption shall be available for the inspection of the Revenue Bondholders at the office of the Trustee and shall be mailed to each Revenue Bondholder who shall file a written request therefore with the District.

(Resolution, Section 7.14).

Defeasance

If the District shall pay or cause to be paid or there shall otherwise be paid, to the Holders of any Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of any Revenues, and other moneys and securities pledged under the Resolution and all covenants, agreements and other obligations of the District to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the District to be prepared and filed with the District and, upon the request of the District, shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the District all moneys or securities held by them pursuant to the Resolution which are not required for the payment of principal or Redemption Price, if applicable, on Bonds or payment of interest. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Outstanding Bonds of a particular Series the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and obligations of the District to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or the principal or interest installments or Redemption Price for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Paying Agents (through deposit by the District of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. Any Outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the District shall have given to the Trustee in form satisfactory to it irrevocable instructions to publish as provided in Article IV of the Resolution notice of redemption of such Bonds on said date, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or

Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the District shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in the Authorized Newspapers a notice to the owners of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this caption and stating such maturity or redemption date upon which moneys are available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this caption nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the District, as received by the Trustee, free and clear of any trust, lien or pledge.

Anything in the Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for five years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for five years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the District, be repaid by the Fiduciary to the District, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the District for the payment of such Bonds; provided, however, that before being required to make any such payment to the District, the Fiduciary shall, at the expense of the District, cause to be published at least twice, at an interval of not less than seven days between publications, in the Authorized Newspapers, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the District.

(Resolution, Section 12.01).

Events of Default and Remedies

Events of Default: If one or more of the following events (in the Resolution called "Events of Default") shall happen, that is to say:

(i) if default shall be made in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise,

(ii) if default shall be made in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor (except when such Installment is due on the maturity date of such Bond), when and as such interest installment or Sinking Fund Installment shall become due and payable, and such default shall continue for a period of 30 days,

(iii) if default shall be made by the District in the performance or observance of the covenants, agreements and conditions on its part as provided under the caption entitled "Electric System Rate Covenant",

(iv) if default shall be made by the District in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution or in the Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to the District by the Trustee or to the District and to the Trustee by the Holders of not less than a majority in principal amount of the Bonds Outstanding, provided that if such default shall be such that it cannot be corrected within such sixty day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected, or

(v) if (1) a decree or order for relief is entered by a court having jurisdiction of the District adjudging the District a bankrupt or insolvent or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition in respect of the District in any involuntary case under the Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State of Arizona; (2) a receiver, liquidator, assignee, custodian, trustee, sequester or other similar official of the District or of any substantial portion of its property is appointed; or (3) the winding up or liquidation of its affairs is ordered and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days, then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, either the Trustee (by notice in writing to the District), or the Holders of not less than 25% in principal amount of the Bonds Outstanding (by notice in writing to the District and the Trustee), may declare the principal of all the Bonds then Outstanding and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Resolution or in any of the Bonds contained to the contrary notwithstanding. The right of the Trustee or of the Holders of not less than 25% in principal amount of the Bonds to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law, and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the District under the Resolution (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the District or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Bonds or under the Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the Holders of a majority in principal amount of the Bonds Outstanding, by written notice to the District and to the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted itself, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the Holders of a majority in principal amount of the Bonds then Outstanding, then any such declaration shall ipso facto be deemed to be rescinded and any such default and its consequences shall ipso facto be deemed to be annulled, but no such rescission and annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Accounting and Examination of Records After Default: The District covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the District and all other records relating to the Electric System shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys, including the engineer or firm of engineers appointed pursuant to the subheading entitled "Application of Revenues and other Moneys After Default" under this caption.

The District covenants that if an Event of Default shall happen and shall not have been remedied, the District, upon demand of the Trustee, will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the Resolution for such period as shall be stated in such demand.

Application of Revenues and other Moneys After Default: The District covenants that if an Event of Default shall happen and shall not have been remedied, the District, upon demand of the Trustee, shall pay over to the Trustee (i) forthwith, all moneys, securities and funds then held by the District in any Fund or Account under the Resolution, and (ii) all Revenues as promptly as practicable after receipt thereof.

During the continuance of an Event of Default, the Trustee shall apply such moneys, securities, funds and Revenues and the income therefrom as follows and in the following order:

(i) to the payment of the amounts required for reasonable and necessary Operating Expenses, and for reasonable renewals, repairs and replacements of the Electric System necessary to prevent loss of Revenues, as certified to the Trustee by an independent engineer or firm of engineers of recognized standing (who may be an engineer or firm of engineers retained by the District for other purposes) selected by the Trustee. For this purpose the books of record and accounts of the District relating to the Electric System shall at all times be subject to the inspection of such engineer or firm of engineers during the continuance of such Event of Default;

(ii) to the payment of the reasonable and proper charges, expenses and liabilities of the Trustee and of any engineer or firm of engineers selected by the Trustee pursuant to Article VIII of the Resolution;

(iii) to the payment of the interest and principal or Redemption Price then due on the Bonds, subject to the provisions of Section 7.02 of the Resolution, as follows:

(a) unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) if the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bonds over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums payable by the District under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable by declaration or otherwise, shall either be paid by or for the account of the District, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the District all moneys, securities, funds and Revenues then remaining unexpended in the hands of the Trustee (except moneys, securities, funds or Revenues deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon the District and the Trustee shall be restored, respectively, to their former positions and rights under the Resolution, and all Revenues shall thereafter be applied as provided in Article V of the Resolution. No such payment over to the District by the Trustee or resumption of the application of Revenues as provided in Article V of the Resolution shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

Proceedings Brought by Trustee: If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Holders of not less than [a majority] in principal amount of the Bonds Outstanding shall proceed, to protect and enforce its right and the rights of the Holders of the Bonds under the Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the District as if the District were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Resolution.

All rights of action under the Resolution may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

The Holders of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully

be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Resolution, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Resolution and provided to be exercised by the Trustee upon the occurrence of an Event of Default.

Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Holders of a majority in principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Resolution by any acts which may be unlawful or in violation of the Resolution, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interest and the interest of the Bondholders.

Restriction on Bondholder's Action: No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless such Holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in Article VIII of the Resolution, and the Holders of [not less than a majority] in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Resolution or by the Act or by the laws of Arizona or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Resolution, or to enforce any right under the Resolution, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Resolution shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of the Outstanding Bonds, subject only to the provisions of Section 7.02 of the Resolution.

Nothing in the Resolution or in the Bonds contained shall affect or impair the obligation of the District, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Bonds to the respective Holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Holder to enforce such payment of his Bond.

Remedies Not Exclusive: No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or equity or by statute on or after the date of adoption of this Resolution.

Effect of Waiver and Other Circumstances: No delay or omission of the Trustee or of any Bondholder to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such default or be an acquiescence therein; and every power and remedy given by Article VIII of the Resolution to the Trustee or to the Bondholders may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

Prior to the declaration of maturity of the Bonds as provided under the subheading entitled "Events of Default" under this caption, the Holders of not less than 25% in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may, on behalf of the Holders of all of the Bonds waive any past default under the Resolution and its consequences, except a default in the payment of interest on or principal of or premium (if any) on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Notice of Default: The Trustee shall promptly mail to registered Holders of Bonds, and to all Bondholders who shall have filed their names and addresses with the Trustee for such purpose written notice of the occurrence of any Event of Default. If for any Fiscal Year the Revenues shall be insufficient to comply with the provisions under the

caption entitled "Electric System Rate Covenant", the Trustee, on or before the 30th day after receipt of the annual audit, shall mail to such registered Holders and such Bondholders written notice of such failure.

Responsibilities of Fiduciaries: The recitals of fact herein and in the Bonds contained shall be taken as the statements of the District and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or as to the security afforded by the Resolution, and no Fiduciary shall incur any liability in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to the District or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act, which would involve it in expense or liability, or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of the following paragraph, no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct or default.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Resolution. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by the Resolution, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provision of the Resolution relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this subheading.

(Resolution, Sections 8.01-8.08, 9.03).

Supplemental Resolutions

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the District may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the District, shall be fully effective in accordance with its terms:

(1) To close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the delivery of Bonds or the issuance of other evidences of indebtedness;

(2) To add to the covenants and agreements of the District in the Resolution, other covenants and agreements to be observed by the District which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(3) To add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(4) To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Section 2.02 of the Resolution, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds;

(5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Resolution, of the Revenues or of any other moneys, securities or funds;

(6) To modify any of the provisions of the Resolution in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

(7) To modify any of the provisions of the Resolution to permit compliance with any amendment to the Internal Revenue Code of 1986, as amended, or any successor thereto, as the same may be in effect from time to time, if, in the Opinion of Bond Counsel, failure to so modify the Resolution either would adversely affect the

ability of the District to issue Bonds the interest on which is excludable from gross income for purposes of federal income taxation, or is necessary or advisable to preserve such exclusion with respect to any Outstanding Bonds;

(8) To comply with such regulations and procedures as are from time to time in effect relating to establishing and maintaining a book-entry-only system;

(9) To provide for the issuance of Bonds in coupon form payable to bearer;

(10) To comply with the requirements of any nationally recognized rating agency in order to maintain or improve a rating on the Bonds by such rating agency;

(11) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; or

(12) To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect.

Supplemental Resolutions Effective With Consent of Trustee: At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of Article XI of the Resolution, which Supplemental Resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the District and upon compliance with the provisions of said Article XI, shall become fully effective in accordance with its terms as provided in said Article XI.

General Provisions: The Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of Article X and Article XI of the Resolution. Nothing in Article X or Article XI of the Resolution contained shall affect or limit the right or obligation of the District to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 7.04 of the Resolution or the right or obligation of the District to execute and deliver to any Fiduciary any instrument which elsewhere in the Resolution it is provided shall be delivered to said Fiduciary.

Any Supplemental Resolution referred to and permitted or authorized by this caption may be adopted by the District without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Resolution when filed with the Trustee shall be accompanied by a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the District and enforceable in accordance with its terms.

The Trustee is authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by this caption and subheading and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Counsel's Opinion) that such Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

(Resolution, Section 10.01-10.03).

Amendment with Consent of Bondholders

Any modification or amendment of the Resolution and of the rights and obligations of the District and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the following paragraph of the Holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then Outstanding or less than all the Bonds of a Series then Outstanding are affected by the modification or amendment, of the Holders of at least two-thirds in principal amount of the Bonds so affected and Outstanding at the time such

consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Installment, of Holders of at least two-thirds in principal amount of the Bonds entitled to such Sinking Fund Installment and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purpose of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series.

The District may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the preceding paragraph, to take effect when and as provided in this paragraph. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by Trustee, together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee), shall be mailed by the District to Bondholders and shall be published in the Authorized Newspapers at least once a week for two successive weeks (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided in this paragraph). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Holders of the percentages of Outstanding Bonds specified in the preceding paragraph and (b) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the District in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the District and enforceable in accordance with its terms, and (ii) a notice shall have been published as provided in this paragraph. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 12.02 of the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and such proof is sufficient in accordance with Section 12.02 of the Resolution shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in Section 12.02 of the Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof) unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee provided for in this paragraph is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 12.02 of the Resolution. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the District and the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as Supplemental Resolution adopted by the District on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this paragraph, may be given to Bondholders by the District by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this paragraph) and by publishing the same in the Authorized Newspapers at least once not more than 90 days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed. The District shall file with the Trustee proof of the publication of such notice and, if the same shall have been mailed to Bondholders, of the mailing thereof. A record, consisting of the papers required or permitted by this paragraph to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the District, the Fiduciaries and the Holders of all Bonds at the expiration of 40 days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced

within such 40 day period; provided, however, that any Fiduciary and the District during such 40 day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

(Resolution, Sections 11.02 and 11.03).

APPENDIX C — FORM OF BOND OPINION AND FORM OF SPECIAL TAX COUNSEL OPINION

[FORM OF BOND COUNSEL OPINION]

June 2, 2015

Board of Directors
Salt River Project Agricultural
Improvement and Power District
Tempe, Arizona 85281

Ladies and Gentlemen:

We have examined the Constitution and statutes of the State of Arizona, certified copies of the proceedings of the Board of Directors of the Salt River Project Agricultural Improvement and Power District (the "District") and other proofs submitted to us relative to the issuance and sale by the District, a body politic and corporate and political subdivision of the State of Arizona, of **$924,490,000** Salt River Project Electric System Revenue Bonds, 2015 Series A (the "2015 Series A Bonds").

The 2015 Series A Bonds consist of bonds bearing interest at fixed rates. The 2015 Series A Bonds are dated as shown on the inside front cover of the Official Statement dated May 15, 2015 relating to the 2015 Series A Bonds, mature and bear interest at the times, in the manner and upon the terms provided therein and in the Resolutions (as hereinafter defined). The 2015 Series A Bonds are subject to redemption prior to maturity as provided in the Resolutions.

We have also examined the form of said 2015 Series A Bonds.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the 2015 Series A Bonds pursuant to the Constitution and statutes of the State of Arizona, including particularly Title 48, Chapter 17, Article 7, Arizona Revised Statutes, and other applicable provisions of law, and pursuant and subject to the provisions, terms and conditions of a resolution, dated as of September 10, 2001, which became effective January 11, 2003, entitled "Supplemental Resolution Authorizing an Amended and Restated Resolution Concerning Revenue Bonds" as amended and supplemented, and a resolution dated as of May 15, 2015 entitled "Resolution Authorizing The Issuance and Sale of **$924,490,000** Salt River Project Electric System Revenue Bonds, 2015 Series A of the Salt River Project Agricultural Improvement and Power District, and Providing for the Form, Details and Terms Thereof", (collectively, the "Resolutions"), all duly adopted by the District and that the 2015 Series A Bonds are valid and legally binding special obligations of the District.

We are further of the opinion that the District, in the Resolutions, has lawfully covenanted and is legally obligated to charge and collect, and revise from time to time whenever necessary, such fees and other charges for the sale of electric power and energy which will be sufficient in each year to pay the necessary expenses of operating and maintaining the District's electric system, the principal of and interest on the 2015 Series A Bonds and all other indebtedness maturing and becoming due in such year, and all reserve or other payments required by the Resolutions in such year, subject to restrictions, if any, imposed by or on behalf of the United States of America, all in the manner provided in the Resolutions.

We are further of the opinion that the 2015 Series A Bonds, and the outstanding Electric System Revenue Bonds heretofore issued pursuant to the Resolutions, as to principal or redemption price thereof and interest thereon are payable on a parity from and secured by a valid and equal pledge of the revenues of the District's electric system and other funds held or set aside under the Resolutions. Such pledge is subject and subordinate to the pledges and liens created by United States of America loan agreements hereafter entered into by the District, all in the manner provided in the Resolutions.

We are further of the opinion that the District may, within the terms, limitations and conditions contained in the Resolutions, issue pari passu additional Electric System Revenue Bonds payable from the revenues derived from the District's electric system, ranking equally as to lien on and source and security for payment from the revenues

derived from the District's electric system, with the 2015 Series A Bonds and any pari passu additional Electric System Revenue Bonds heretofore or hereafter issued, all in the manner provided in the Resolutions.

We are further of the opinion that the District has validly entered into further covenants and agreements with the holders of the 2015 Series A Bonds for the exact terms of which reference is made to the Resolutions.

The foregoing opinions are subject to the effect of bankruptcy, reorganization, moratorium and other similar laws, judicial decisions and principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally and judicial discretion.

This opinion letter is issued as of the date hereof and is subject to the assumptions and qualifications set forth herein, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any other reason whatsoever.

In rendering the foregoing opinions we have made a review of those laws and regulations and legal proceedings that, in our experience, are normally deemed necessary to approve the legality of the 2015 Series A Bonds. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the District or the programs to be financed with the 2015 Series A Bonds other than the record of proceedings referred to above, and we express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the 2015 Series A Bonds.

Very truly yours,

[FORM OF SPECIAL TAX COUNSEL OPINION]

June 2, 2015

Board of Directors
Salt River Project Agricultural
Improvement and Power District
Tempe, Arizona 85281

Ladies and Gentlemen:

We have acted as Special Tax Counsel to the Salt River Project Agricultural Improvement and Power District (the "District") in connection with the issuance by the District on the date hereof of **$924,490,000** Salt River Project Electric System Revenue Bonds, 2015 Series A (the "2015 Series A Bonds").

In connection with such representation, in our capacity as Special Tax Counsel to the District, we have examined copies of (i) a resolution, dated as of September 10, 2001, which became effective January 11, 2003, entitled "Supplemental Resolution Authorizing an Amended and Restated Resolution Concerning Revenue Bonds" as amended and supplemented, (ii) a resolution dated as of May 15, 2015 entitled "Resolution Authorizing The Issuance and Sale of **$924,490,000** Salt River Project Electric System Revenue Bonds, 2015 Series A of the Salt River Project Agricultural Improvement and Power District, and Providing for the Form, Details and Terms Thereof" (collectively, the "Resolutions"), (iii) the opinions of Chiesa Shahinian & Giantomasi PC, bond counsel to the District ("Bond Counsel") and opinions of counsel to the District, of even date herewith, (iv) the Tax Certificate as to Arbitrage and The Provisions of Sections 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate") and (v) originals, executed counterparts or copies of such other agreements, legal opinions, documents, proceedings, records, instruments, certificates and certificates of public authorities and have reviewed such matters of law as we have deemed necessary for the purpose of providing this opinion (collectively, the "Reviewed Materials").

The Internal Revenue Code of 1986, as amended (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the 2015 Series A Bonds for interest thereon to be and remain excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. Noncompliance with such requirements could cause the interest on the 2015 Series A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2015 Series A Bonds. The District has covenanted in the Tax Certificate to comply with the provisions of the Code applicable to the 2015 Series A Bonds and has covenanted not to take any action or permit any action that would cause the interest on the 2015 Series A Bonds to be included in gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. In addition, the District has made certain certifications and representations in the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Based upon our review of the Reviewed Materials and the assumption that the execution, delivery and performance, as applicable, of the Reviewed Materials by each of the parties hereto are within such party's powers and have been duly authorized by all necessary action, we are of the opinion that, under existing statutes and court decisions and assuming compliance with the tax covenants described herein, and the accuracy of the certifications and representations contained in the Tax Certificate:

1. Interest on the 2015 Series A Bonds is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code.

2. Interest on the 2015 Series A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in adjusted current earnings in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code on certain corporations; and

3. Interest on the 2015 Series A Bonds is exempt from income taxes imposed by the State of Arizona.

Except as stated above, we express no opinion as to any other federal or state tax consequences of the ownership or disposition of the 2015 Series A Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the 2015 Series A Bonds, or the interest thereon, if any action is taken with respect to the 2015 Series A Bonds or the proceeds thereof upon the advice or approval of other counsel.

Very truly yours,

APPENDIX D — FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

Between

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

and

U.S. BANK NATIONAL ASSOCIATION
as trustee

$924,490,000 Salt River Project Electric System Revenue Bonds, 2015 Series A

THIS CONTINUING DISCLOSURE AGREEMENT (the "Agreement"), dated as of June 2, 2015, by and between the Salt River Project Agricultural Improvement and Power District (the "District"), an agricultural improvement district duly organized and existing under Title 48, Chapter 17 of the laws of the State of Arizona, A.R.S. sections 48-2301, *et seq.* (the "Act") and U.S. Bank National Association, Phoenix, Arizona, as trustee (the "Trustee") for the **$924,490,000** Salt River Project Electric System Revenue Bonds, 2015 Series A (the "Bonds") to be issued by the District;

WITNESSETH:

WHEREAS, the District intends to issue the Bonds under and pursuant to (i) the Act and (ii) the District's Supplemental Resolution, dated as of September 10, 2001 Authorizing an Amended and Restated Resolution Concerning Revenue Bonds, which became effective January 11, 2003, as amended and supplemented (the "Resolution").

WHEREAS, on November 10, 1994 the Securities and Exchange Commission (the "Commission") adopted Release Number 34-34961 and on May 27, 2010, the Commission adopted Release Number 34-62184 (collectively, the "Release"), which amended Rule 15c2-12 ("Rule 15c2-12"), originally adopted by the Commission on June 28, 1989;

WHEREAS, Rule 15c2-12 requires that prior to acting as a broker, dealer or municipal securities dealer (the "Participating Underwriter") for the Bonds, a Participating Underwriter must comply with the provisions of Rule 15c2-12;

WHEREAS, Rule 15c2-12 further provides, among other things, that a Participating Underwriter shall not purchase or sell the District's Bonds unless the Participating Underwriter has reasonably determined that the District and any "obligated person" (within the meaning of Rule 15c2-12, as amended) have undertaken, either individually or in combination with others, in a written agreement for the benefit of Bondholders, to provide certain information relating to the District, any "obligated person" and the Bonds, to the Repositories described herein below;

WHEREAS, this Agreement is being executed and delivered by the District and the Trustee for the benefit of the Bondholders, the Beneficial Owners of the Bonds and the Trustee in order to comply with Rule 15c2-12;

WHEREAS, the District hereby agrees to provide the information described herein below with respect to itself;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District and the Trustee agree as follows:

Section 1. Definitions

"Association" shall mean the Salt River Valley Water Users' Association, predecessor to the District, duly incorporated February 9, 1903 under the laws of the Territory of Arizona.

"Annual Financial Information" shall mean the information specified in Section 3 hereof.

"Audited Financial Statements" shall mean the annual financial statements specified in Section 4 hereof.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Bondholder" or "Holder" shall mean any registered owner of Bonds and any Beneficial Owner of Bonds who provides evidence satisfactory to the Trustee of such status.

"EMMA" shall mean the Electronic Municipal Market Access system operated by the MSRB for municipal securities disclosures.

"Independent Accountant" shall mean, with respect to the District, any firm of certified public accountants appointed by the District.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement of the District, dated May 15, 2015, relating to the issuance of the Bonds.

"Rule 15c2-12" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Agreement.

"State" shall mean the State of Arizona.

Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Resolution.

Section 2. Obligation to Provide Continuing Disclosure

The District hereby undertakes for the benefit of the Holders of the Bonds to provide:

A. to EMMA in an electronic format, accompanied by identifying information, in accordance with the rules and procedures set forth from time to time by the MSRB, no later than 180 days after the end of each fiscal year, commencing with the fiscal year ending April 30, 2015:

1. the Annual Financial Information relating to such fiscal year together with the Audited Financial Statements for such fiscal year if audited financial statements are then available; provided, however, that if Audited Financial Statements are not then available, the unaudited financial statements, which may be combined with the financial information of the Association, shall be submitted with the Annual Financial Information and the Audited Financial Statements shall be delivered to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB, when they become available (but in no event later than 350 days after the end of such fiscal year); or

2. notice to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB, of the District's failure, if any, to provide any of the information described in Section A.1. hereinabove;

B. to EMMA in an electronic format, accompanied by identifying information, in accordance with the rules and procedures set forth from time to time by the MSRB, within ten (10) business days after the occurrence of any of the following events, notice of any of the following events with respect to the Bonds:

1. any Event of Default resulting from principal and interest payment delinquencies on the Bonds;

2. any non-payment related Event of Default, if material;

3. unscheduled draws on the Debt Reserve Account under the Resolution reflecting financial difficulties;

4. unscheduled draws on credit enhancements, if any, reflecting financial difficulties;

5. substitution of credit or liquidity providers, if any, or their failure to perform;

6. adverse tax opinions or events affecting the tax-exempt status of the Bonds, including, (i) the receipt of adverse tax opinions, (ii) the issuance by the Internal Revenue Service of proposed or final determinations of taxability, (iii) the issuance of a Notice of Proposed Issue (IRS Form 5701-TEB) or (iv) the occurrence or receipt (as applicable) of other material notices or determinations with respect to the tax-exempt status of securities or other material events affecting the tax-exempt status of the security;

7. amendments of or modifications to the rights of Bondholders, if material;

8. Bond calls, if material;

9. defeasance of the Bonds;

10. release, substitution, or sale of property, if any, securing repayment of the Bonds, if material;

11. rating changes on the Bonds;

12. tender offers;

13. bankruptcy, insolvency, receivership or similar event of the District;

14. the consummation of a merger, consolidation or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

15. appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in clause (B)(13), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession, but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

The District shall notify the Trustee upon the occurrence of any of the fifteen events listed in this Section 2.B. promptly upon becoming aware of the occurrence of any such event. The Trustee shall not be deemed to have become aware of the occurrence of any such event unless an officer in its corporate trust department actually

becomes aware of the occurrence of any such event. The District shall notify the Trustee upon the transmittal of any such information.

Nothing in this Agreement shall prevent the District from disseminating any information in addition to that required hereunder. If the District disseminates any such additional information, nothing herein shall obligate the District to update such information or include it in any future materials disseminated.

Section 3. Annual Financial Information

Annual Financial Information shall include updated financial and operating information, in each case updated through the last day of the District's prior fiscal year unless otherwise noted, relating to the following information contained in the Official Statement:

(i) information as to any changes in the District's projected peak loads and resources in substantially the same level of detail as found in Table 2 under the heading "THE ELECTRIC SYSTEM – Projected Peak Loads and Resources";

(ii) an update of the information listing District power sources and participation interests in power generating facilities in substantially the same level of detail found in Table 3 and Table 4 under the heading "THE ELECTRIC SYSTEM – Existing and Future Resources";

(iii) information as to any changes or proposed changes in the electric prices charged by the District in substantially the same level of detail as found under the heading "ELECTRIC PRICES";

(iv) an update of the information relating to customer base and classification, electric power sales, and the District's revenues and expenses in substantially the same level of detail found in Table 7 and Table 8 under the heading "SELECTED OPERATIONAL AND FINANCIAL DATA – Customers, Sales, Revenues and Expenses";

(v) (a) information as to the authorization or issuance by the District of any notes, other obligations, or parity indebtedness in substantially the same level of detail as found under the heading "SELECTED OPERATIONAL AND FINANCIAL DATA – Additional Financial Matters" and (b) a statement of any default under such notes, other obligations or parity indebtedness;

(vi) (a) information as to the outstanding balances and required debt service on any United States Government Loans and (b) a statement of any default with respect to such loans;

(vii) (a) an update summarizing the District's discussions of operations in substantially the same level of detail as found under the heading "SELECTED OPERATIONAL AND FINANCIAL DATA – Additional Financial Matters," if any, or (b) an annual report;

(viii) (a) an update of the balance in the Debt Reserve Account and (b) an update of all information relating to actual debt service requirements and coverages for outstanding revenue bonds and other prior and parity debt obligations in substantially the same level of detail as found in Tables 9 and 10 under the heading "SELECTED OPERATIONAL AND FINANCIAL DATA – Additional Financial Matters - Outstanding Revenue Bond Long-Term Indebtedness"; and

(ix) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning, and in judging the financial condition of, the District.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements pertaining to debt issued by the District, which have been submitted to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB. If the document incorporated by reference is a final official statement (within the meaning of Rule 15c2-12), it must also be available from the MSRB. The District shall clearly identify each such other document so incorporated by reference. It is sufficient for the purposes of Rule 15c2-12 and this Agreement that the Annual Financial Information to be provided pursuant to Section 2.A.

and Section 3 hereof be submitted to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB no more than once annually.

The requirements contained in this Section 3 are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of this Section 3 call for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

Section 4. Financial Statements

The District's annual financial statements for each fiscal year shall be prepared in accordance with generally accepted accounting principles in effect from time to time. Such financial statements shall be audited by an Independent Accountant. The annual financial statements are presented on a combined basis including the financial information of both the District and the Association. All or any portion of audited or unaudited financial statements may be incorporated by specific reference to any other documents which have been filed with EMMA in accordance with the rules and procedures set forth from time to time by the MSRB; **provided, however**, that if the document is an official statement, it shall have been filed with the MSRB and need not have been filed elsewhere.

Section 5. Remedies

If the District shall fail to comply with any provision of this Agreement, then the Trustee or any Holder may, but shall not be obligated to, enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Agreement against the District and any of the officers, agents and employees of the District, and may compel the District or any such officers, agents or employees to perform and carry out their duties under this Agreement; provided, however, that the sole remedy hereunder shall be limited to an action to compel specific performance of the obligations of the District hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; provided, further, that any challenge to the adequacy of any information provided pursuant to Section 2 shall be brought only by the Trustee or the Holders of 25% of the aggregate principal amount of the Bonds then outstanding which are affected thereby. Failure to comply with any provision of this Agreement shall not constitute an Event of Default under the Resolution.

Section 6. Parties in Interest

This Agreement is executed and delivered for the sole benefit of the Holders, the Beneficial Owners and the Trustee. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 7. Termination

This Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Bonds shall have been paid in full or legally defeased pursuant to the Resolution (a "Legal Defeasance"); **provided, however,** that if Rule 15c2-12 (or successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then this Agreement shall be amended to provide that such information shall no longer be required to be provided hereunder; and **provided, further,** that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any Legal Defeasance, the District shall provide notice of such defeasance to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB. Such notice shall state whether the Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption. Upon any other termination pursuant to this Section 7, the District shall provide notice of such termination to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB.

Section 8. Amendment; Change; Modification

Without the consent of any Holders (except to the extent expressly provided below), the District and the Trustee at any time and from time to time may enter into any amendments or changes to this Agreement for any of the following purposes:

(i) to comply with or conform to Rule 15c2-12 or any amendments thereto or authoritative interpretations thereof by the Commission or its staff (whether required or optional) which are applicable to this Agreement;

(ii) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(iii) to evidence the succession of another person to the District and the assumption by any such successor of the covenants of the District hereunder;

(iv) to add to the covenants of the District for the benefit of the Holders, or to surrender any right or power herein conferred upon the District; or

(v) for any other purpose as a result of a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the District, or type of business conducted; provided that (1) this Agreement, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of Rule 15c2-12, as well as any change in circumstances, (2) the amendment or change either (a) does not materially impair the interest of Holders, as determined by bond counsel, or the interest of the Trustee or (b) is approved by the vote or consent of Holders of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment or change and (3) the Trustee receives an opinion of bond counsel that such amendment is authorized or permitted by this Agreement.

The Annual Financial Information for any fiscal year containing any amendment to the operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Financial Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Financial Information, respectively, shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be sent to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB.

Section 9. Duties of the Trustee

A. The duties of the Trustee under this Agreement shall be limited to those expressly assigned to it hereunder. The District agrees to indemnify and save harmless the Trustee and its officers, directors, employees and agents, for, from and against any loss, expense and liabilities that it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Trustee's gross negligence or willful misconduct. The obligations of the District under this Section 9 shall survive resignation or removal of the Trustee, payment of the Bonds or termination of this Agreement.

B. No earlier than one day, nor later than 30 days, following the end of each fiscal year of the District (ending April 30, unless the District notifies the Trustee otherwise), the Trustee will notify the District of its obligation to provide the Annual Financial Information in the time and manner described herein; **provided, however,** that any failure by the Trustee to notify the District under this Section 9.B shall not affect the District's obligation hereunder, and the Trustee shall not be responsible in any way for such failure.

C. The Trustee shall be under no obligation to report any information to EMMA or any Holder. If an officer of the Trustee obtains actual knowledge of the occurrence of an event described in Section 2.B.1. through 2.B.15. hereunder, whether or not such event is material, the Trustee will notify the District of such occurrence; **provided, however,** that any failure by the Trustee to notify the District under this Section 9.C shall not affect the District's obligation hereunder, and the Trustee shall not be responsible in any way for such failure.

Section 10. Governing Law

THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW, AND THE LAWS OF THE UNITED STATES OF AMERICA, AS APPLICABLE. Any action for enforcement of this Agreement shall be taken in a state or federal court, as appropriate, located in Maricopa County, Arizona. To the fullest extent permitted by law, the District and the Trustee each hereby irrevocably waives any and all rights to a trial by jury, and covenants and agrees that it will not request a trial by jury, with respect to any legal proceeding arising out of or relating to this Agreement.

Section 11. Counterparts

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

By: _____
Steven J. Hulet
Senior Director of Financial Services &
Corporate Treasurer

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By: _____
Keith Henselen
Vice President

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APPENDIX E — BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2015 Series A Bonds. Reference to the 2015 Series A Bonds hereunder shall mean all 2015 Series A Bonds held through DTC. The 2015 Series A Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2015 Series A Bonds, each in the aggregate principal amount of such maturity.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to both U.S. and non-U.S. securities brokers and dealers, bank trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating: of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2015 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2015 Series A Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2015 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2015 Series A Bonds, except in the event that use of the book-entry system for the 2015 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2015 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2015 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2015 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2015 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2015 Series A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such 2015 Series A Bond to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2015 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2015 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the 2015 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2015 Series A Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, 2015 Series A Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2015 Series A Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

No assurance can be given by the District that DTC will make prompt transfer of payments to the Participants or that Participants will make prompt transfer of payments to Beneficial Owners. The District is not responsible or liable for payment by DTC or Participants or for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or Participants.

For every transfer and exchange of the 2015 Series A Bonds, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other charge that may be imposed in relation thereto.

Unless otherwise noted, certain of the information contained in this Appendix E has been extracted from information furnished by DTC. The District does not make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

APPENDIX F — THE REFUNDED BONDS

Series	Maturity Date	Interest Rate	Par Amount Refunded	Call Date	Call Price	CUSIP*	Portion of Maturity Refunded
Electric System Revenue Bonds 2004 Series A	1/1/2016	5.000%	$ 13,575,000	6/22/2015	100%	79575DTU4	Total
	1/1/2017	5.000%	11,210,000	6/22/2015	100%	79575DTV2	Total
	1/1/2018	4.000%	2,875,000	6/22/2015	100%	79575DTW0	Total
	1/1/2021	5.000%	6,700,000	6/22/2015	100%	79575DTX8	Total
	1/1/2022	5.000%	7,150,000	6/22/2015	100%	79575DTY6	Total
	1/1/2023	5.000%	7,295,000	6/22/2015	100%	79575DTZ3	Total
	1/1/2024	5.000%	865,000	6/22/2015	100%	79575DUA6	Total
		Subtotal	***$ 49,670,000***				
Electric System Revenue Bonds 2005 Series A	1/1/2027	5.000%	475,000	1/1/2016	100%	79575DUF5	Partial
	1/1/2028	5.000%	1,090,000	1/1/2016	100%	79575DUG3	Partial
	1/1/2029	5.000%	3,600,000	1/1/2016	100%	79575DUH1	Partial
	1/1/2035**	4.750%	40,000,000	1/1/2016	100%	79575DUK4	Total
	1/1/2035***	5.000%	246,095,000	1/1/2016	100%	79575DUJ7	Total
		Subtotal	***$ 291,260,000***				
Electric System Revenue Bonds 2006 Series A	1/1/2037**††	5.000%	296,000,000	1/1/2016	100%	79575DVC1	Total
		Subtotal	***$ 296,000,000***				
		Total	***$ 636,930,000***				

---

* CUSIP Numbers are provided for convenience of reference only. The District assumes no responsibility for the accuracy of such numbers.

** Final Maturity of Term Bond.

*** $75,805,000 in aggregate principal amount of this bond is being purchased by the District directly from the holder thereof at an agreed upon purchase price of 102.516%, plus accrued interest to June 2, 2015, the purchase date.

†† $80,000,000 in aggregate principal amount of this bond is being purchased by the District directly from the holder thereof at an agreed upon purchase price of 102.456%, plus accrued interest to June 2, 2015, the purchase date.

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SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, ARIZONA • SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2015 SERIES A

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Report of the Independent Financial Advisor
Regarding the Issuance of

$924,490,000
Salt River Project Agricultural
Improvement and Power District, Arizona
Salt River Project Electric System Revenue Bonds, 2015 Series A

June 2, 2015

Introduction

This report is intended to summarize the plan of finance, market conditions and credit factors related to the issuance by Salt River Project Agricultural Improvement and Power District (the "District") of the $924,490,000 aggregate principal amount of Salt River Project Electric System Revenue Bonds, 2015 Series A (the "2015 A Bonds"). This report was prepared for the District to assist it in making an informed decision with respect to the acceptability of the Bond Purchase Agreement it entered into with Goldman, Sachs & Co. (the "Underwriter"), BofA Merrill Lynch, Citigroup, J.P. Morgan, and Morgan Stanley (collectively, the "Underwriters"). This report also serves as the basis for the formal recommendation from Public Financial Management, Inc. ("PFM"), the independent Financial Advisor to the District with respect to the sale of the 2015 A Bonds.

Plan of Finance

Purpose:
The 2015 A Bonds are being issued to: (i) refund or purchase certain of the District's outstanding bonds (listed in more detail below) (ii) to finance capital improvements to the Electric System and (iii) pay the cost of issuance related to the 2015 A Bonds.

Refunded Bonds:

The 2015 A Bonds current refunded a portion of the 2004 Series A Bonds outstanding, and advance refunded a portion of the 2005 Series A Bonds and 2006 Series A Bonds outstanding (collectively, the "Refunded Bonds"). The details of the Refunded Bonds can be found in the table below.

Series	Maturity Date	Coupon	Par Amount	Redemption Date	Call Price
2004 Series A	1/1/2016	5.00%	13,575,000	6/22/2015	100%
	1/1/2017	5.00%	11,210,000	6/22/2015	100%
	1/1/2018	4.00%	2,875,000	6/22/2015	100%
	1/1/2021	5.00%	6,700,000	6/22/2015	100%
	1/1/2022	5.00%	7,150,000	6/22/2015	100%
	1/1/2023	5.00%	7,295,000	6/22/2015	100%
	1/1/2024	5.00%	865,000	6/22/2015	100%
		Subtotal	***49,670,000***		
2005 Series A	1/1/2027	5.00%	475,000	1/1/2016	100%
	1/1/2028	5.00%	1,090,000	1/1/2016	100%
	1/1/2029	5.00%	3,600,000	1/1/2016	100%
	1/1/2035	4.75%	40,000,000	1/1/2016	100%
	1/1/2035	5.00%	246,095,000	1/1/2016	100%
		Subtotal	***291,260,000***		
2006 Series A	1/1/2037	5.00%	296,000,000	1/1/2016	100%
		Subtotal	***296,000,000***		
		TOTAL	***636,930,000***		

Refunding Results:

Date	Prior Debt Service	Refunding Debt Service	Savings	PV Savings @ Arbitrage Yield
4/30/2016	45,292,750.00	38,574,218.20	6,718,531.80	6,515,722.26
4/30/2017	42,249,000.00	36,185,600.00	6,063,400.00	5,685,830.11
4/30/2018	33,353,500.00	27,289,600.00	6,063,900.00	5,498,182.66
4/30/2019	30,363,500.00	25,032,100.00	5,331,400.00	4,674,098.65
4/30/2020	30,363,500.00	25,032,100.00	5,331,400.00	4,519,468.33
4/30/2021	37,063,500.00	31,002,100.00	6,061,400.00	4,968,307.84
4/30/2022	37,178,500.00	31,118,600.00	6,059,900.00	4,802,755.56
4/30/2023	36,966,000.00	30,909,350.00	6,056,650.00	4,641,378.40
4/30/2024	30,171,250.00	24,089,600.00	6,081,650.00	4,506,354.94
4/30/2025	29,263,000.00	24,089,600.00	5,173,400.00	3,706,546.94
4/30/2026	29,263,000.00	24,089,600.00	5,173,400.00	3,583,925.54
4/30/2027	29,738,000.00	24,579,600.00	5,158,400.00	3,455,313.11
4/30/2028	30,329,250.00	25,170,100.00	5,159,150.00	3,341,488.88
4/30/2029	32,784,750.00	26,824,850.00	5,959,900.00	3,732,418.31
4/30/2030	29,004,750.00	23,869,100.00	5,135,650.00	3,109,827.01
4/30/2031	29,004,750.00	23,869,100.00	5,135,650.00	3,006,946.52
4/30/2032	29,004,750.00	23,869,100.00	5,135,650.00	2,907,469.56
4/30/2033	139,104,750.00	132,114,100.00	6,990,650.00	3,826,720.92
4/30/2034	103,927,250.00	96,931,650.00	6,995,600.00	3,702,743.89
4/30/2035	174,283,750.00	167,292,900.00	6,990,850.00	3,577,817.32
4/30/2036	127,377,500.00	120,381,900.00	6,995,600.00	3,427,904.51
4/30/2037	127,380,750.00	120,388,750.00	6,992,000.00	3,311,657.21
Totals	**1,233,467,750.00**	**1,102,703,618.20**	**130,764,131.80**	**90,502,878.49**

PV of savings from cash flow	90,502,878.49
Plus: Refunding funds on hand	18,597.37
Net PV Savings	90,521,475.86

The refunding of the Refunded Bonds resulted in net present value savings of $90,521,476, or ***14.21%*** of refunded par.

Sources and Uses of Funds:

The following table details the sources and uses of funds for the 2015 A Bonds:

Salt River Project Agricultural Improvement and Power District Electric System Revenue Bonds, 2015 Series A	
SOURCES	
Bond Proceeds :	
Par Amount	924,490,000.00
Premium	79,097,681.25
	1,003,587,681.25
Total Sources :	**1,003,587,681.25**
USES	
Project Fund Deposits :	
Electric System Project Fund	335,817,248.54
Refunding Escrow Deposits:	
The Refunded Bonds Escrow	666,325,677.46
Delivery Date Expenses :	
Cost of Issuance	545,000.00
Underwriter's Discount	881,157.88
	1,426,157.88
Other Uses of Funds :	
Additional Proceeds	18,597.37
Total Uses :	**1,003,587,681.25**

Structure:

The 2015 A Bonds will initially be dated the date of delivery, June 2, 2015. Interest on the bonds will be payable starting December 1, 2015, and semiannually thereafter on each December 1 and June 1. The 2015 A Bonds are structured as a combination of serial and term bonds, with maturities ranging from December 1, 2015 to December 1, 2045. The following tables detail the specific maturities and coupons of the 2015 A Bonds

The following table details the specific maturities, par amounts, coupons, and yields of the 2015 A Bonds:

Maturity (12/1)	Par	Coupon	Yield	Price	Call Date	Yield to Maturity	Takedown ($/1000)
2015	25,685,000	1.00%	0.12%	100.437			
2016	10,520,000	5.00%	0.55%	106.626			0.75
2017	2,150,000	5.00%	0.85%	110.232			0.75
2020	5,970,000	5.00%	1.60%	117.823			0.75
2021	6,385,000	5.00%	1.84%	119.268			0.75
2022	6,495,000	5.00%	2.06%	120.327			0.75
2026	490,000	5.00%	2.65%	120.520	6/1/2025	2.89%	0.75
2027	1,105,000	5.00%	2.76%	119.453	6/1/2025	3.11%	0.75
2028	2,815,000	5.00%	2.87%	118.397	6/1/2025	3.30%	0.75
2032	25,000,000	4.00%	3.58%	103.503	6/1/2025	3.73%	0.75
2032	51,505,000	5.00%	3.22%	115.112	6/1/2025	3.81%	0.75
2033	26,195,000	4.00%	3.62%	103.163	6/1/2025	3.76%	0.75
2033	27,955,000	5.00%	3.26%	114.743	6/1/2025	3.88%	0.75
2034	25,000,000	4.00%	3.66%	102.825	6/1/2025	3.79%	0.75
2034	80,650,000	5.00%	3.31%	114.284	6/1/2025	3.94%	0.75
2035	4,800,000	3.50%	3.75%	96.446	6/1/2025	3.75%	0.75
2035	71,080,000	5.00%	3.35%	113.919	6/1/2025	4.00%	0.75
2036	78,655,000	5.00%	3.38%	113.646	6/1/2025	4.04%	0.75
2041	60,295,000	5.00%	3.52%	112.382	6/1/2025	4.22%	0.75
2034**	83,125,000	3.00%	3.32%	95.480	12/1/2024	3.32%	0.75
2036**	88,910,000	3.00%	3.39%	94.152	12/1/2024	3.39%	0.75
2045*	239,705,000	5.00%	3.56%	112.023	6/1/2025	4.29%	0.75
Totals	924,490,000						

Optional call on 6/1/2025 @ 100.000
**Term bond*
***Citi Term Bond with optional call on 12/1/2024 @ 100.000*

Redemption Provisions:
Optional Redemption:

Except for the Term Bonds maturing on December 1, 2034 and December 1, 2036, the 2015 A Bonds maturing on and after December 1, 2026, are subject to redemption at the option of the District on or after June 1, 2025, at a 100% redemption price.

The Term Bonds maturing on December 1, 2034 and December 1, 2036 (the "Citi Term Bonds") are subject to redemption at the option of the District on or after December 1, 2024, at a 100% redemption price

Sinking Fund Redemption:

The 2015 A Bonds maturing on December 1, 2034 are subject to redemption prior to maturity from mandatory sinking fund installments in the amounts and dates below.

December 1	Principal Amount
2032	26,230,000
2033	17,610,000
2034*	39,285,000

*Maturity

The 2015 A Bonds maturing on December 1, 2036 are subject to redemption prior to maturity from mandatory sinking fund installments in the amounts and dates below.

January 1	Principal Amount
2032	5,510,000
2033	5,830,000
2034	6,165,000
2035	34,705,000
2036*	36,700,000

*Maturity

The 2015 A Bonds maturing on December 1, 2045 are subject to redemption prior to maturity from mandatory sinking fund installments in the amounts and dates below.

January 1	Principal Amount
2042	34,980,000
2043	76,385,000
2044	24,685,000
2045*	103,655,000

*Maturity

Original Issue Premium/Discount:
The 2015 A Bonds have a net original issue premium (OIP). Bonds with an OIP structure are sold at coupons or interest rates which are above current market interest rates. In order to give the investor an actual rate of return or "yield" which is equal to the current market interest rates, these bonds are sold at a price above the par amount. Bonds with an original issue discount (OID) structure are sold at coupons or interest rates which are below current market interest

rates. In order to give the investor an actual rate of return or "yield" which is equal to the current market interest rates, these bonds are sold at a price below the par amount. The 2015 A Bonds have an original issue premium of $79,097,681.25.

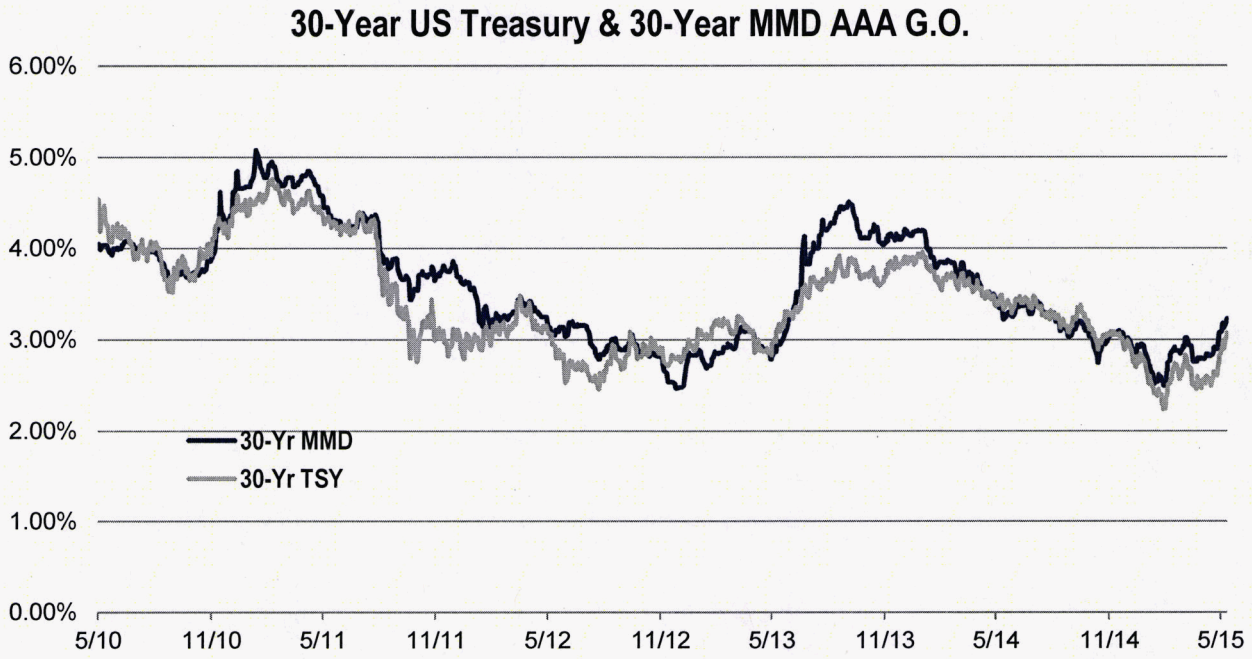
Underwriter's Discount:
The final Underwriter's Discount for the transaction totaled $881,157 or $0.953129 per $1,000 par amount of bonds.

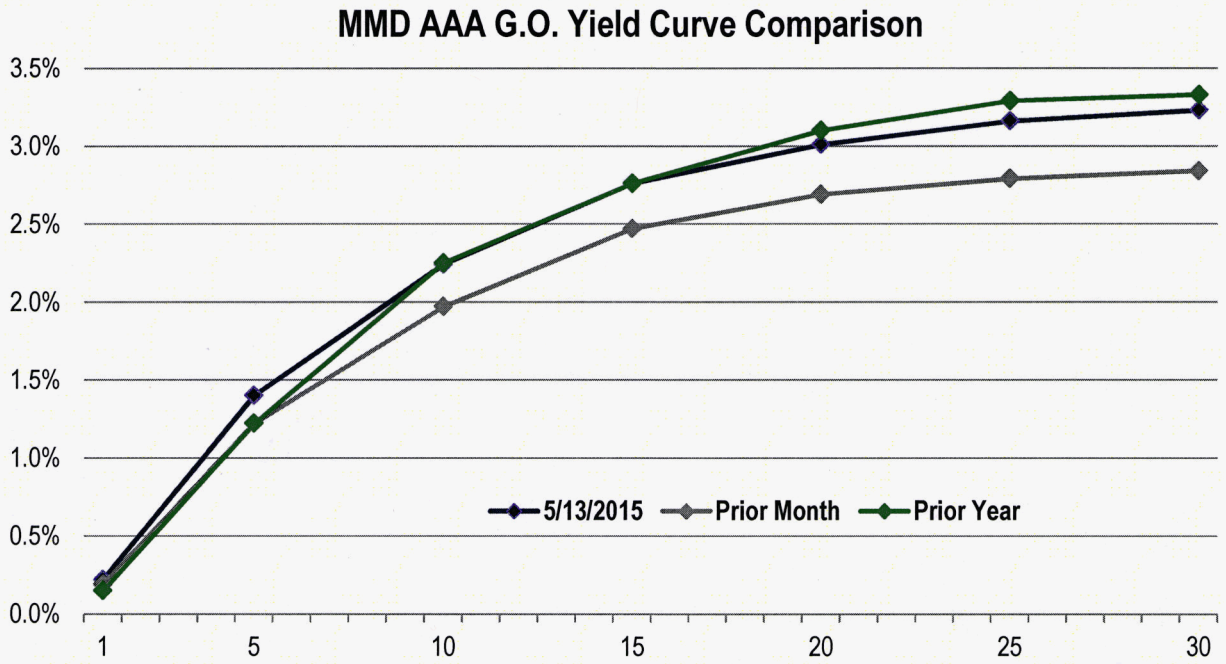
Cost of Issuance:
The estimated cost of issuance for the transaction totaled $545,000 or $0.589514 per $1,000 par amount of bonds.

Bond Ratings:
Moody's Investors Services, Inc. ("Moody's") and Standard & Poor's ("S&P") assigned the 2015 A Bonds ratings of "Aa1" and "AA", respectively. For long-term outlooks, the rating agencies assigned "Stable."

Municipal Market Environment

The graphs below depict the movement of 30-Uear Treasury and 30-Year Municipal Market Data ("MMD") AAA G.O. rates since 2010 and the MMD AAA G.O. Yield Curve comparison over various points in time.





General Market Conditions

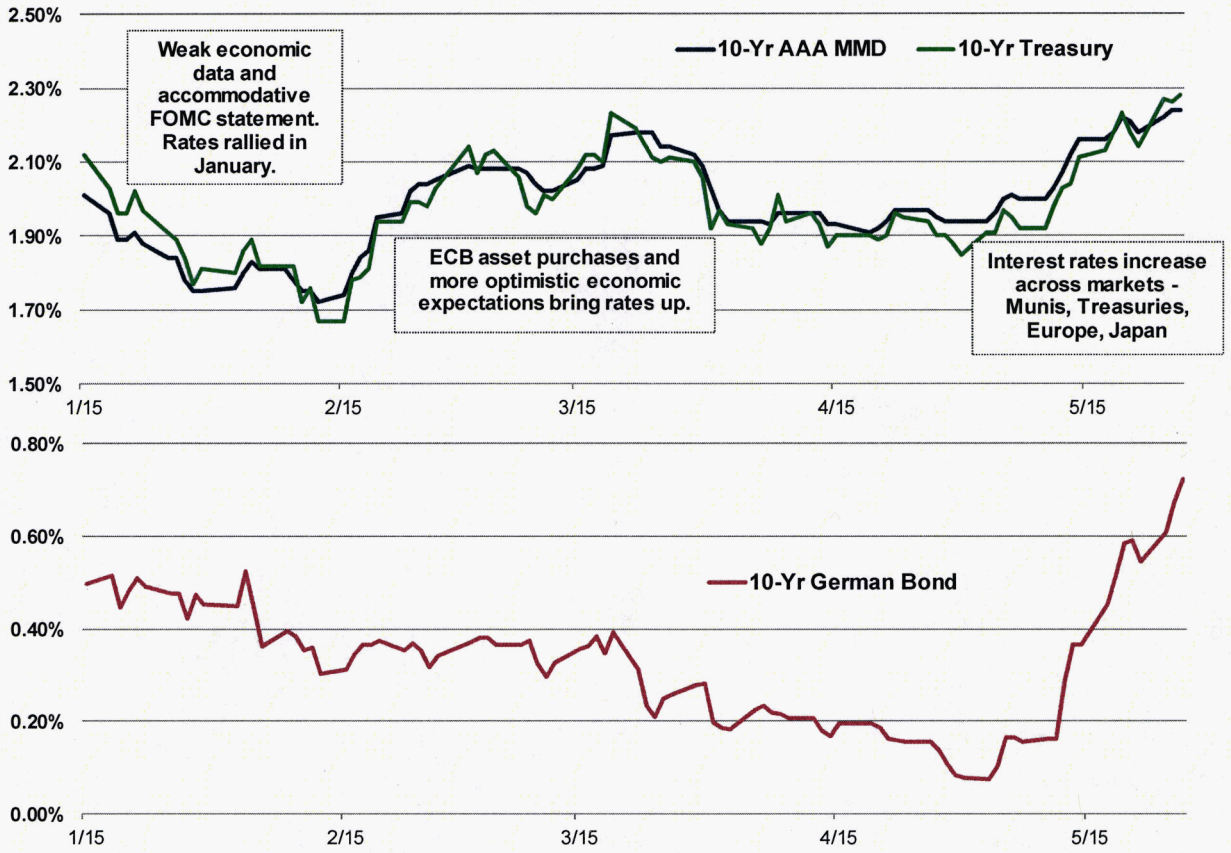
Since the beginning of 2015, U.S. Treasuries and municipal bond yields had experienced continued volatility due to global and domestic economic events. Early this year, both Treasuries and Municipal bond yields rallied significantly, due to European deflationary concerns, renewed concerns of Greece destabilization, as well as an accommodative FOMC statement that had not signaled when the anticipated interest rate hikes would take place.

Issuers wanting to take advantage of the low interest rate environment started to bring more refunding volume to the market, thereby increasing municipal supply. The European Central Bank announced an asset purchase plan to deal with its potential deflation and the U.S. economy started to signal strength and optimism, which led to steady increases in US Treasury and Municipal bond yields. The 10-year Treasury, which started the year at 2.12%, had rallied below 1.70%, before climbing above 2.20% in the weeks leading up to the District's bond sale. Municipal yields, which typically track closely with the Treasury market, also experienced the same volatility. The 10-year MMD started the year at a 2.01% and decreased to a low of 1.72%, before increasing to over 2.20% during the same time.

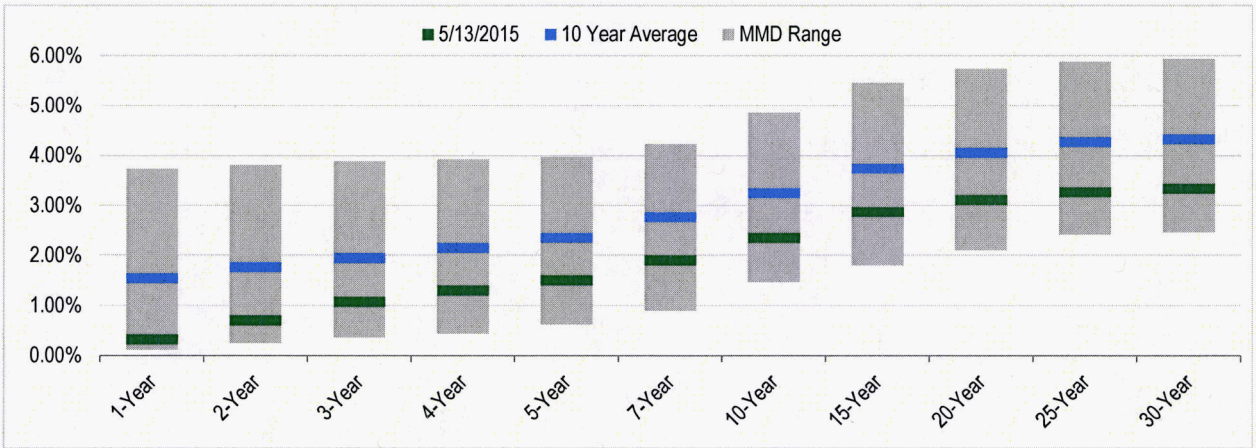
While rates seemed to be on their way to long-anticipated higher levels, they continued to be attractive on a historical basis. Over the past 10 years, the average for the 10-year, 20-year, and 30-year MMD was 2.95%, 3.75%, and 4.02% respectively. On the day of the District's bond sale, the 10-year, 20-year, and 30-year MMD was 2.25%, 3.01%, and 3.23%, respectively.

The charts on the following page overlays interest rate movements with key events leading up to the 2015 A Bonds pricing and graphs the historical MMD range across key maturities.

10-Year US Treasury 10-Year MMD AAA G.O., & 10-Year German Bond
(Since January 1, 2015)



Historical MMD Range Over the Past 10 Years



Pricing of the Bonds

Background:

To prepare for the pricing/sale process, PFM closely followed recent market trends. PFM analyzed interest rates, yields, and takedown levels of recently priced municipal utility issues in order to compare the initial interest rates, yields, and takedown levels proposed by the Underwriters. The following transactions were among those considered to be valid comparables for the District's financing:

Issuer	Date	Amount	Type of Sale	Rating	Underwriter
Austin Energy	5/12/2015	327,845,000	Negotiated	A1/AA-/AA-	Goldman Sachs
State of Connecticut	5/12/2015	500,000,000	Negotiated	Aa3/AA/AA	Seibert Brandford
Public Power Generating Agency	4/28/2015	187,345,000	Negotiated	A2/BBB+/A-	BofA Merrill Lynch
Energy Northwest	4/23/2015	527,315,000	Negotiated	Aa1/AA-/AA	JP Morgan
Phoenix Civic Imp Corp	4/22/2015	319,305,000	Negotiated	Aa3/AA+	Wells Fargo
Sacremento MUD	4/22/2015	193,335,000	Negotiated	AA/AA-	Citigroup
Nashville Electric	4/21/2015	112,895,000	Negotiated	AA+/AA+	Raymond James
NYC TFA	4/16/2015	650,000,000	Negotiated	Aa1/AAA/AAA	Loop Capital
Port Authority of NY & NJ	4/16/2015	775,000,000	Negotiated	Aa3/AA-/AA-	BofA Merrill Lynch
Illinois Muni Energy Agency	3/31/2015	594,185,000	Negotiated	A1/A/A+	Citigroup
Lower Colorado River	3/19/2015	124,935,000	Negotiated	A2/A/A	BofA Merrill Lynch
Kentucy Municipal Power	3/17/2015	210,600,000	Negotiated	A3/AA-	Goldman Sachs
Missouri Joint Muni Energy	3/12/2015	215,105,000	Negotiated	A2/NR/A	JP Morgan

PFM also reviewed the secondary market trades of comparable bonds with maturities similar to those for the 2015 A Bonds. These included other Arizona revenue and public power bonds. The secondary market trades that were analyzed to help formulate PFM's opinion on the fairness and appropriateness of the 2015 A pricing can also be found in the attached post-pricing book.

Pricing:

On the morning of May 12th , the working group convened for a pre-pricing meeting to review the current market conditions and results of the transactions that had priced in the marketplace, as well as to discuss the Underwriters price views and pre-pricing thoughts for the 2015 A Bonds.

Goldman reached out to the other syndicate members to get price views for the 2015 A Bonds. While there were slight differences in opinions, the most of the underwriters had credit spreads comparable to where Goldman believed the District's bonds should spread to the AAA-MMD benchmark.

The table below details the co-manager price views for the 2015 A Bonds:

2015 Series A Bonds Co-Manager Price Views					
Year	**Goldman**	**BAML**	**Citigroup**	**JPM**	**Morgan Stanley**
12/1/2015	SB	SB	--	SB	SB
12/1/2016	+3 bps	+3 bps	+3 bps	+2 bps	SB
12/1/2017	+6 bps	+5 bps	+6 bps	+5 bps	+5 bps
12/1/2020	+15 bps	+8 bps	+15 bps	+15 bps	+15 bps
12/1/2021	+18 bps	+12 bps	+18 bps	+17 bps	+20 bps
12/1/2022	+21 bps	+15 bps	+21 bps	+20 bps	+23 bps
12/1/2026	+25 bps	+25 bps	+25 bps	+25 bps	+25 bps
12/1/2027	+30 bps	+27 bps	+30 bps	+26 bps	+30 bps
12/1/2028	+30 bps	+28 bps	+30 bps	+27 bps	+30 bps
12/1/2032	+30 bps	+28 bps	+30 bps	+27 bps	+30 bps
12/1/2033	+30 bps	+28 bps	+30 bps	+27 bps	+30 bps
12/1/2034	+30 bps	+28 bps	+30 bps	+27 bps	+30 bps
12/1/2035	+30 bps	+28 bps	+30 bps	+27 bps	+30 bps
12/1/2036	+30 bps	+28 bps	+30 bps	+27 bps	+30 bps
12/1/2045	+30 bps	+28 bps	+30 bps	+27 bps	+30 bps

The District started the bond pricing process with a pricing for retail investors on May 12th. This was a day on which retail investors had priority on any orders placed. Retail order periods also give underwriters the opportunity to have continued conversations with large institutional investors and get additional feedback that would allow them to determine the appropriate levels and structure for the remaining bonds.

As is typical in a bond sale of this size, not all the bonds were being offered to retail investors. The 2015 maturity was going to be sold as a sealed bid during the institutional order period, and many of the longer-dated and larger maturities were going not going to be offered. The limited offering focused retail investors mostly on the smaller maturities, but a few longer maturities with sub 5.00% coupons were also going to be offered.

The table below details the retail order period scale released to investors on the morning of May 12th:

Retail Order Period Scale

Maturity (12/1)	Par	Coupon	Yield	Price	Call Date	Late MMD (5/11/2015)	Spread to MMD	Yield to Maturity	Spread to MMD
2015	19,595,000	***NOT OFFERED FOR RETAIL***							
2016	5,440,000	4.00%	0.48%	105.245		0.45%	3 bps		
2016	5,445,000	5.00%	0.48%	106.735		0.45%	3 bps		
2017	2,210,000	5.00%	0.85%	110.232		0.79%	6 bps		
2020	5,985,000	5.00%	1.62%	117.708		1.47%	15 bps		
2021	6,395,000	5.00%	1.86%	119.133		1.68%	18 bps		
2022	6,505,000	5.00%	2.06%	120.327		1.85%	21 bps		
2026	485,000	5.00%	2.65%	120.520	7/1/2023	2.40%	25 bps	2.89%	49 bps
2027	1,100,000	5.00%	2.76%	119.453	7/1/2023	2.50%	26 bps	3.11%	61 bps
2028	2,865,000	5.00%	2.87%	118.397	7/1/2023	2.60%	27 bps	3.30%	70 bps
2032	100,710,000	***NOT OFFERED FOR RETAIL***							
2033	70,570,000	4.00%	3.50%	104.187	7/1/2023	2.90%	60 bps	3.69%	79 bps
2034	144,405,000	***NOT OFFERED FOR RETAIL***							
2035	20,000,000	3.50%	3.75%	96.446	7/1/2023	2.98%	77 bps	3.75%	77 bps
2035	84,770,000	5.00%	3.28%	114.559	7/1/2023	2.98%	30 bps	3.96%	98 bps
2036	110,010,000	***NOT OFFERED FOR RETAIL***							
2045*	300,000,000	***NOT OFFERED FOR RETAIL***							
Totals	211,770,000								

Optional call on 6/1/2025 @ 100.000
**Term bond*

The District received roughly $40 million of orders from retail investors on the $212 million being offered during the order period. While the response was lackluster, it was in-line with expectations, given the long-dated structure of the deal and a weaker market.

Proposed adjustments were outlined to the financing group on the following morning, during the broader discussion of the levels that were going to be offered during the institutional order period.

The table below details the retail order subscription levels:

Retail Orders and Yield Adjustments

Maturity	Amount Offered (000s)	Total Retail Orders (000s)	Balance (000s)	Total Subscription	MMD Movement	Yield Change Net of MMD Move
2015	19,595,000		***NOT OFFERRED***			
2016	5,440,000	-	5,440,000	0.0 x	0.02%	0.05%
2016	5,445,000	-	5,445,000	0.0 x	0.02%	0.05%
2017	2,210,000	2,690,000	(480,000)	1.2 x	0.02%	-0.02%
2020	5,985,000	14,630,000	(8,645,000)	2.4 x	0.02%	-0.04%
2021	6,395,000	10,525,000	(4,130,000)	1.6 x	0.02%	-0.04%
2022	6,505,000	2,975,000	3,530,000	0.5 x	0.02%	-0.02%
2026	485,000	450,000	35,000	0.9 x	0.02%	-0.02%
2027	1,100,000	-	1,100,000	0.0 x	0.02%	-0.02%
2028	2,865,000	3,040,000	(175,000)	1.1 x	0.02%	-0.02%
2032	100,710,000		***NOT OFFERRED***			
2033	70,570,000	1,195,000	69,375,000	0.0 x	0.02%	0.10%
2034	144,405,000		***NOT OFFERRED***			
2035	20,000,000	4,700,000	15,300,000	0.2 x	0.02%	0.00%
2035	84,770,000	530,000	84,240,000	0.0 x	0.02%	0.05%
2036	110,010,000		***NOT OFFERRED***			
2045*	300,000,000		***NOT OFFERRED***			
TOTAL:	**211,770,000**	**40,735,000**	**171,035,000**	**0.2 x**		

Throughout the retail order period and prior to the release of the institutional order period, the District, along with its financing team and counsel, analyzed a proposal by Citi that could potentially result in additional savings. In Citigroup's proposal, the District would purchase certain of the refunding candidates there were owned by Citigroup. The District would purchase these bonds at a price slightly below the anticipated escrow cost. Citigroup would also agree to purchase new refunding bonds during the order period that were priced at levels that were favorable to the District.

The spread on the District's 5.00% coupon bonds for the institutional order period was 35 basis points to MMD, and comparable 4.00% coupon bonds were going to be spread 70 basis points to MMD. Citigroup offered to purchase 3.00% coupon bonds at a spread of 40 basis points to MMD. The 3.00% bonds would provide a significant reduction in yield-to-maturity as compared to the 5.00% premium bonds. The offer by Citigroup had a yield-to-maturity benefit of roughly 65 basis points to a comparable 5.00% coupon, which would generate significantly more NPV savings on $170 million of bonds being purchased from Citigroup.

On the morning of May 13th, Goldman presented a draft pricing wire to the finance team. Based on the response from the retail order period, and a slightly weaker opening in the Treasury market, Goldman proposed going out at slightly higher yields than those proposed in the consensus scale. They proposed increasing the spread of 5.00% coupon bonds from 30 to 35 basis points and increasing the spread of 4.00% coupon bonds from 60 to 70 basis points.

Certain maturities that were offered to retail investors, and had seen good retail response were adjusted to slightly lower yields and were not going to be offered to institutional investors. The spread on the 2016 maturity that received no orders was increased 5 basis points. The table below details the institutional pricing wire that was agreed upon.

Institutional Order Period Scale

Maturity (12/1)	Par	Coupon	Yield	Price	Call Date	Late MMD (5/12/2015)	Spread to MMD	Yield to Maturity	Spread to MMD
2015	24,195,000	***SEALED BID***							
2016	10,535,000	5.00%	0.55%	106.626		0.47%	8 bps		
2017	2,165,000	5.00%	0.85%	110.232		0.81%	4 bps		
2020	5,980,000	5.00%	1.60%	117.823		1.49%	11 bps		
2021	6,395,000	5.00%	1.84%	119.268		1.70%	14 bps		
2022	6,505,000	5.00%	2.06%	120.327		1.87%	19 bps		
2026	490,000	5.00%	2.65%	120.520	6/1/2025	2.42%	23 bps	2.89%	47 bps
2027	1,105,000	5.00%	2.76%	119.453	6/1/2025	2.52%	24 bps	3.11%	59 bps
2028	2,825,000	5.00%	2.87%	118.397	6/1/2025	2.62%	25 bps	3.30%	68 bps
2032	25,000,000	4.00%	3.58%	103.503	6/1/2025	2.88%	70 bps	3.73%	85 bps
2032	49,795,000	5.00%	3.23%	115.019	6/1/2025	2.88%	35 bps	3.82%	94 bps
2033	26,195,000	4.00%	3.62%	103.163	6/1/2025	2.92%	70 bps	3.76%	84 bps
2033	26,675,000	5.00%	3.27%	114.651	6/1/2025	2.92%	35 bps	3.88%	96 bps
2034	25,000,000	4.00%	3.66%	102.825	6/1/2025	2.96%	70 bps	3.79%	83 bps
2034	79,865,000	5.00%	3.31%	114.284	6/1/2025	2.96%	35 bps	3.94%	98 bps
2035	4,800,000	3.50%	3.75%	96.446	6/1/2025	3.00%	75 bps	3.75%	75 bps
2035	70,305,000	5.00%	3.35%	113.919	6/1/2025	3.00%	35 bps	4.00%	100 bps
2036	78,090,000	5.00%	3.38%	113.646	6/1/2025	3.03%	35 bps	4.04%	101 bps
2041	60,290,000	5.00%	3.52%	112.382	6/1/2025	3.17%	35 bps	4.22%	105 bps
2034**	83,120,000	3.00%	3.32%	95.480	12/1/2024	2.96%	36 bps	3.32%	36 bps
2036**	88,905,000	3.00%	3.39%	94.152	12/1/2024	3.03%	36 bps	3.39%	36 bps
2045*	239,710,000	5.00%	3.56%	112.023	6/1/2025	3.21%	35 bps	4.29%	108 bps
Totals	917,945,000								

Optional call on 6/1/2025 @ 100.000

**Term bond*

***Citi Term Bond with optional call on 12/1/2024 @ 100.000*

Not Offered for Institutional Investors

The institutional order period received strong, yet not overwhelming, investor demand. The 2015A bonds received approximately $1.3 billion in orders and every maturity was fully subscribed. With the majority of subscription levels in the range of 1X to 1.5X the amount of bonds offered, it was evident that the bonds were priced at the appropriate levels. The 2032, 2033, 2035, and 2045 maturities received the strongest investor demand and were all above 1.5X subscribed. The 2032 maturity was close to 3X subscribed.

Given the continued slight weakness in the market and and the 2015 A Bonds subscription levels, Goldman proposed no adjustments to the scale. While PFM agreed that the most levels

were appropriate and the sale was a success, we felt that the demand received in the 2032 and 2033 maturities warranted a 1 basis point adjustment. After reviewing the number and quality of investors in those maturities, Goldman agreed to make the adjustments.

The tables below detail the institutional orders, yield adjustments and final pricing wire.

Institutional Orders and Yield Adjustments

Maturity	Amount Offered (000s)	Total Priority Orders (000s)	Balance (000s)	Total Subscription	Yield Adjustment
2015	24,195,000	***NOT OFFERRED***			
2016	10,535,000	16,535,000	(6,000,000)	1.6 x	0.00%
2017	2,165,000	***NOT OFFERRED***			
2020	5,980,000	***NOT OFFERRED***			
2021	6,395,000	***NOT OFFERRED***			
2022	6,505,000	***NOT OFFERRED***			
2026	490,000	1,210,000	(720,000)	2.5 x	0.00%
2027	1,105,000	1,105,000	-	1.0 x	0.00%
2028	2,825,000	***NOT OFFERRED***			
2032	25,000,000	29,550,000	(4,550,000)	1.2 x	0.00%
2032	49,795,000	139,500,000	(89,705,000)	2.8 x	-0.01%
2033	26,195,000	29,495,000	(3,300,000)	1.1 x	0.00%
2033	26,675,000	45,000,000	(18,325,000)	1.7 x	-0.01%
2034	25,000,000	22,500,000	2,500,000	0.9 x	0.00%
2034	79,865,000	97,500,000	(17,635,000)	1.2 x	0.00%
2035	4,800,000	***NOT OFFERRED***			
2035	70,305,000	126,280,000	(55,975,000)	1.8 x	0.00%
2036	78,090,000	90,500,000	(12,410,000)	1.2 x	0.00%
2041	60,290,000	83,290,000	(23,000,000)	1.4 x	0.00%
2034	83,120,000	83,120,000	-	1.0 x	0.00%
2036	88,905,000	88,905,000	-	1.0 x	0.00%
2045	239,710,000	436,500,000	(196,790,000)	1.8 x	0.00%
TOTAL:	**865,080,000**	**1,290,990,000**	**(425,910,000)**	**1.5 x**	

Final Pricing Scale

Maturity (12/1)	Par	Coupon	Yield	Price	Call Date	Late MMD (5/13/2015)	Spread to MMD	Yield to Maturity	Spread to MMD
2015	25,685,000	1.00%	0.12%	100.437		n.a.			
2016	10,520,000	5.00%	0.55%	106.626		0.48%	7 bps		
2017	2,150,000	5.00%	0.85%	110.232		0.81%	4 bps		
2020	5,970,000	5.00%	1.60%	117.823		1.49%	11 bps		
2021	6,385,000	5.00%	1.84%	119.268		1.70%	14 bps		
2022	6,495,000	5.00%	2.06%	120.327		1.87%	19 bps		
2026	490,000	5.00%	2.65%	120.520	6/1/2025	2.42%	23 bps	2.89%	47 bps
2027	1,105,000	5.00%	2.76%	119.453	6/1/2025	2.52%	24 bps	3.11%	59 bps
2028	2,815,000	5.00%	2.87%	118.397	6/1/2025	2.62%	25 bps	3.30%	68 bps
2032	25,000,000	4.00%	3.58%	103.503	6/1/2025	2.88%	70 bps	3.73%	85 bps
2032	51,505,000	5.00%	3.22%	115.112	6/1/2025	2.88%	34 bps	3.81%	93 bps
2033	26,195,000	4.00%	3.62%	103.163	6/1/2025	2.93%	69 bps	3.76%	83 bps
2033	27,955,000	5.00%	3.26%	114.743	6/1/2025	2.93%	33 bps	3.88%	95 bps
2034	25,000,000	4.00%	3.66%	102.825	6/1/2025	2.97%	69 bps	3.79%	82 bps
2034	80,650,000	5.00%	3.31%	114.284	6/1/2025	2.97%	34 bps	3.94%	97 bps
2035	4,800,000	3.50%	3.75%	96.446	6/1/2025	3.01%	74 bps	3.75%	74 bps
2035	71,080,000	5.00%	3.35%	113.919	6/1/2025	3.01%	34 bps	4.00%	99 bps
2036	78,655,000	5.00%	3.38%	113.646	6/1/2025	3.04%	34 bps	4.04%	100 bps
2041	60,295,000	5.00%	3.52%	112.382	6/1/2025	3.18%	34 bps	4.22%	104 bps
2034**	83,125,000	3.00%	3.32%	95.480	12/1/2024	2.97%	35 bps	3.32%	35 bps
2036**	88,910,000	3.00%	3.39%	94.152	12/1/2024	3.04%	35 bps	3.39%	35 bps
2045*	239,705,000	5.00%	3.56%	112.023	6/1/2025	3.23%	33 bps	4.29%	106 bps
Totals	924,490,000								

Optional call on 6/1/2025 @ 100.000
**Term bond*
***Citi Term Bond with optional call on 12/1/2024 @ 100.000*

Conclusions and Recommendations:

Based on the foregoing and our knowledge and experience in the issuance of municipal debt, it is Public Financial Management's opinion that the coupon rates, yields and underwriting spread, all of which constitute the pricing of 2015 A Bonds, were fair and appropriate. PFM endorses the decision to accept the terms of the transaction.

SUMMARY OF REFUNDING RESULTS

Dated Date	06/02/2015
Delivery Date	06/02/2015
Arbitrage yield	3.392652%
Escrow yield	0.148993%
Bond Par Amount Total	$924,490,000
True Interest Cost	3.945912%
Net Interest Cost	4.185339%
Average Coupon	4.579146%
Average Life	21.484
Bond Par Amount Refunding	$624,490,000
Par amount of refunded bonds	$636,930,000
Average coupon of refunded bonds	4.983373%
Average life of refunded bonds	17.992
PV of prior debt to 06/02/2015 @ 3.392652%	$785,635,850
Net PV Savings	$90,521,476
Percentage savings of refunded bonds	14.212155%
Percentage savings of refunding bonds	14.495264%